

STOCK SHORTAGES AT THE COOP ARE LIKELY HERE TO STAY

October 18, 2021



Above: Sorry, there is no back-stock of papaya!

By John B. Thomas

With increased numbers of fully vaccinated individuals and the subsequent reinstatement of the member labor requirement, summer and fall of 2021 were supposed to bring a return to normalcy at the Coop—or if not normalcy, something close to it. Yet an email sent to the full Coop membership on September 22 punctured that bubble, putting words to a reality that has crept into Coop members' consciousnesses as many of us have resumed shopping and working our shifts: that the supply shortages that members had become used to during the pandemic appear to be here for the foreseeable future. Specifically, the email outlined that both grocery and household items are more out of stock than usual.

The email mentioned that widespread labor shortages across the country are a key driver of these issues. A shortage of warehouse workers and truck drivers appears to be affecting the gro-

cery world acutely. Along with these issues are some fundamental limitations to the Coop's space, namely its ability to only store several days of groceries at a time, as opposed to several weeks for many other grocery stores.

The Coop's distributors appear to all be affected by the shortage of truck drivers. According to Coop Grocery Buyer Gillian Chi, most of the Coop sources' distributors have their own trucks and hire their own drivers. Now, those same distributors do not have enough drivers on staff, so they often have to out-source to a third-party trucking company, or otherwise cut back on orders—sometimes as much as 50%.

The Coop is not alone in facing this new reality. The Forbes article linked in the email to members identified four key factors that are driving these labor shortages. Namely, workers now have more leverage to push back against historically stagnant wages; there is a broader desire for better working conditions (some truckers work 70 hours each week and often spend weeks away from home); workers now prioritize a better work-life balance and scheduling flexibility; and there are increased child and family care responsibilities.

At least when it comes to the warehouse and trucker shortages, these four dynamics certainly seem to be at play. One trucking company is reported to have increased wages by 35% over the previous year, and this still may not be enough: the Bureau of Labor Statistics report that the trucking industry is still down 33,000 jobs from February 2020. The fact that so many jobs still need to be filled reflects the broader trend—"The Great Resignation"—where the pandemic seems to have shown low wage workers that they can and should demand more from their employers. This

trend seems to be especially prevalent in restaurants and hospitality.

While these labor market dynamics in the U.S. may explain some of the stock shortages Coop members are seeing, supply chain issues may be more widespread and last longer than the Coop email suggests. This is due to a mix of COVID-related disruptions, but also policy choices that have created our highly interconnected, globalized, and (pre-pandemic) efficient economy.



Shortages in the bulk aisle.

On the COVID side, highly globalized supply chains are still adapting to a world reeling from a pandemic that is far from un-

der control in most parts of the world, with the pandemic and its associated restrictions causing major disruptions to all transport sectors responsible for moving goods around the world. A recent letter by the International Chamber of Shipping to the United Nations General Assembly warned of a “global transport system collapse” if transport workers are not given freedom of movement and priority to receive vaccines. Consumers, too, have a role to play, with the reopening of economies increasing demand significantly, and supply chains being unable to keep up after more than a year of disruption.

While these global supply chain challenges may not seem directly relevant to food produced in the U.S., these shortages can build on each other. For example, if a truck engine breaks down and the parts to replace it are stuck on a container ship at a port in Asia, then the trucking company not only can't pick up the goods to fix the truck, it also cannot deliver the original goods it was supposed to.



Linewaiters
.. GAZETTE ..
HELP WANTED

**Development Art Director • Photographers
Reporters • Proofreaders • Traffic managers**

WORDPRESS EXPERIENCE WILL BE GIVEN PRIORITY CONSIDERATION.

SEND COVER LETTER + RESUME + LINK OF YOUR WORK TO ANNETTE@PSFC.COOP

We can best serve the Coop if our squad reflects the PSFC's overall diversity.
We strongly encourage applications from BIPOC and members of the LGBTQ+ community.

Many of these fundamental challenges were created over decades by trade policy that prioritized producing cheap things abroad for consumers in a low-wage economy at home. Or, in the words of The Guardian, “policies that led to our supply constrained world are lax antitrust, deregulation of basic industries like shipping, railroads and trucking, disinvestment in domestic production, and trade policy emphasizing finance over manufacturing.” In the case of trucking, deregulation in the 1970s led firms to compete against each other—primarily by offering lower prices, which were then passed on to truck drivers in the form of lower wages, reduced safety, and unreasonable scheduling that crushed drivers—trends that continue to this day.

On top of these fundamental weaknesses in how goods are moved around is rampant inflation, with prices rising for consumers at the fastest rate in 30 years—without a commensurate increase in wages. The Federal Reserve appears to be deeply concerned that inflation will not just be a short-term phenomenon and that the supply chain disruptions causing it are far from getting better, and have few quick fixes.

All of this points to supply shortages becoming the new normal, not just a passing blip on the road to recovery as was predicted and desired by experts. These supply shortages are not just leading to empty shelves at the Coop and other grocery stores, but also to higher prices—and not just because of constrained supply. The Coop tends to get its best prices from large distributors. Due to the shortages, the Coop’s buyers have had to begin buying the same number and quantity of goods across multiple smaller distributors. And due to economies of scale, those smaller distributors can’t offer the same lower prices as their larger counterparts—sometimes by a significant amount. For example,

switching to a smaller distributor increased the price of a case of black beans from \$19.73 to \$22.99, by 17%. This trend is not just for groceries. The price the Coop pays for Dr. Bronner's liquid soap has increased four percent, from \$8.96 to \$9.32, by moving to a smaller distributor. Even though these prices are higher, says Chi, "You're still going to get a good price, and less than you would likely pay outside the Coop."

The strategy the Coop is taking to address these shortages—approaching alternative distributors, ordering from different warehouses, and finding “best alternative” substitutes—may be a reality for the foreseeable future, as are the associated higher prices. Chi said, “the difficulties started with one distributor, and then it became one after another. It's only been about a month but the trend is worse, not better. I can't imagine how [these systemic issues] are going to be resolved.”

In spite of all this disruption, this period may present some new opportunities, both for the Coop and for our globalized economy. It appears that policymakers have taken notice of these fundamental weaknesses and appear poised to invest more in domestic production in certain sectors. Corporations are increasingly seeing the need for greater regulation to bring stability and predictability back to their sectors, especially in the transportation industry. And workers now have some of the highest leverage with employers than at any time in modern history, with the prospect of real wage growth combatting years of stagnation.

And as for the Coop, some of these changes may have unseen upsides. For example, many of the smaller distributors are more local which is generally good for reducing the carbon footprint of products as they have to travel shorter distances to get to con-

sumers. But this switch comes with a cost, in the form of the time and logistical challenges associated with dealing with unfulfilled orders, smaller product volumes, and finding alternatives across multiple distributors. Said Chi, “we sell over 10,000 products at the Coop, and we’re switching like crazy—it’s very tedious work going through items one by one. We are trying very hard not to keep shelves empty.”

All of these dynamics suggest that members will need to get used to a new pandemic normal. Members may discover new products they hadn’t tried before, and the Coop will build new relationships with domestic producers. So while the pandemic is still causing widespread challenges, there may be some bright spots on the horizon—even if that horizon looks a little different than before. Said Chi, “what we’re managing is a global crisis, and we’re working with all the resources we have—including our own time—to make our way through it and keep the store full. I would credit my amazing coworkers for keeping our shelves as full as they have been. And I would ask members for patience, understanding, and flexibility with your purchasing choices.”