

KY Wholesale Distributors Association

A large, well-lit warehouse with high ceilings and industrial shelving. The shelves are filled with various goods, including boxes and bottled beverages. In the foreground, there are several pallets of bottled water, some labeled 'Santal'. The floor is concrete, and the overall atmosphere is one of a busy distribution center.

**Impact of COVID
Pandemic
on the Industry**

Our Industry



Kentucky's Wholesale Distributors supply thousands of products to retailers across the State.

Supply Chain Issues at Manufacturer Level

- Labor Shortages
- Shortage of Production Inputs
- Packaging Shortages
- Transportation
- Shipping Container Shortages
- Backups at Shipping Ports
- Shortage of Truck Drivers
- Shortage of Train Capacity



Supply Chain Issues

- Manufacturers regularly backordering or even suspending product lines
- Industry Standards for “Fill Rates” on orders from retailers were previously 99%.
Now averaging **73%**.
- Food items particularly hard hit. Many Manufacturers citing packaging material shortages and transportation issues as major causes.
- Transportation Disruptions expected to continue into 2023.



Some Examples of Manufacturer Shortages to KY Wholesalers

Ferrara Pan Candy 56%

Kraft 40%

Hershey 50%

Deli Express 25%

Conagra Meat Snacks 45%

Tyson 41%

Swedish Match Cigars 44%

Smithfield 39%

Bazooka/Topps 57%

Mondelez 26%

SC Johnson Products 31%

Wrigley's 33%

Kellogg's 40%

Campbell's 11%

These are just a few examples.
Similar across nearly all product lines.

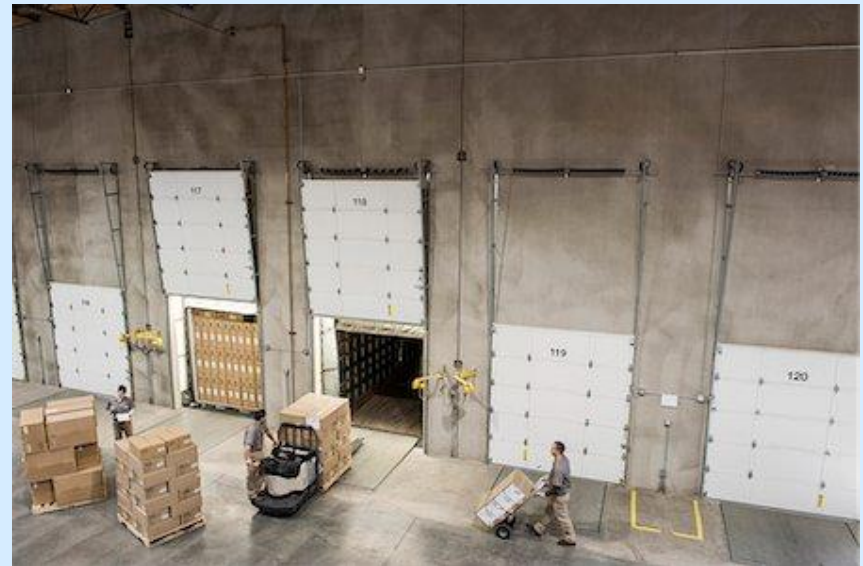
Some Other Recent Supply Problem Examples

- Plastic Cups
- Kraft Lunchables
- Small container Pringles
- Onion Rings
- Potato Tots
- Hash Browns
- Chicken Salad
- And More



Labor Shortages Across Industry

- Nationally 97% of wholesale distributors experiencing labor shortage
- 68% reported unable to make deliveries on time.
- Major shortage of hourly wage employees despite signing bonuses, increased pay and other benefits and incentives
- 98% reported current employees working overtime and extra shifts, creating burnout and turnover
- Difficulty filling positions for both warehouse and truck drivers
- Large number of employment offer “turn downs” and “no shows”

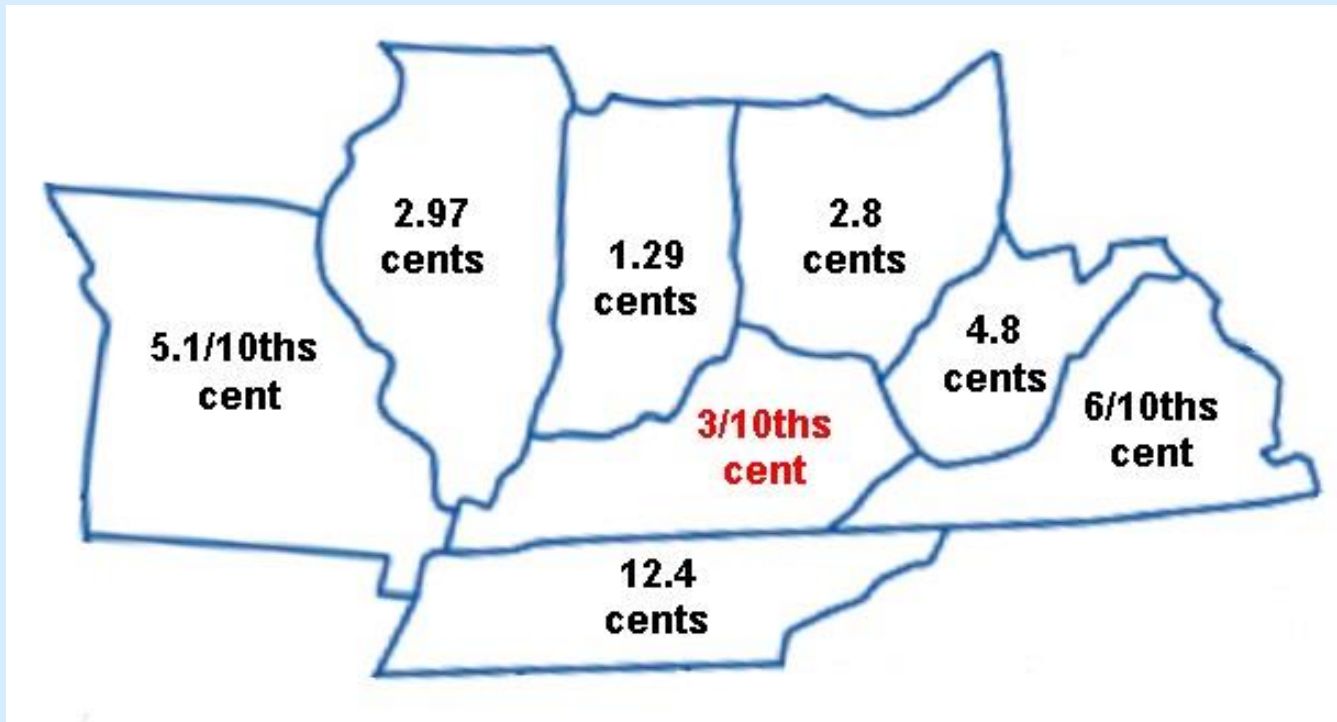


Product and Overhead Costs



- Wage increases, increased benefits and FICA/SS matching
- Energy as category up 24.4%
- Gasoline up 41.8%
- Cost increases on 40% of product lines, averaging 9% in last six months
- Food service and supply items – 65% of product line has averaged 12% increase in last six months.

Other Cost Pressures



Kentucky's Reimbursement Rate per pack has not changed since the Eisenhower Administration although prepaid taxes have increased dramatically

Cost of Stamping Machine = \$105,046.00

KY Wholesalers collected \$355 Million of prepaid tax in 2020

Rates Per Pack

- Surrounding States Average = 2.03 cents per pack
- Average of all States = 1.82 cents per pack
- Inflation Rate of 3/10 of one cent from
1955 = 3.06 cents per pack
- Requested Rate Change = 1.5 cents per pack

Open Invitation

Members of the Kentucky Wholesale Distributors Association would welcome lawmakers to visit our warehouses.

Meet our employees, see our operations and learn about tax stamping.

An educational experience not to be missed.



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