

Long Island Business News

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Nightmare on Main Street

By: [David Winzelberg](#), Adina Genn October 29, 2021

Ghouls and goblins have nothing on empty shelves and rising prices when it comes to frightening Long Island consumers this Halloween.

Snarled supply chains and lingering disruptions from the COVID-19 pandemic have combined to cause inflation to rear its ugly head, as the costs of many products have climbed in recent weeks.

One of the most significant examples is the soaring price of gasoline, which increases trucking costs and impacts almost everyone who drives. The average gas price on Long Island is \$3.49 a gallon this week. That's up 55 percent from the \$2.25 a gallon average in October 2020, according to GasBuddy.com.

The trucking industry, which is responsible for delivering most of the goods we shop for, has also been challenged by a nationwide shortage of drivers, creating delays and exacerbating the backlog of thousands of freight containers stacked up at ports in California, where about 70 percent of products enter the country from overseas.

The crisis is hitting every region of the country, said Kaushik Sengupta, professor of management and entrepreneurship at Hofstra University, who also runs the Long Island Manufacturing Supply Chain Index.

Currently, the ports are dotted with cargo ships waiting to be unloaded and are not operating at full capacity. That's where the problem is, Sengupta said, and given the seven-to-10-day delay, the cost associated with that "eventually comes to the consumer."

And while the Biden administration has approved 24/7 operations, there are additional hurdles, including working with labor unions to get shipments unloaded faster, the truck driver shortage and federal regulations limiting the number of hours an operator can drive. Though some big box stores are chartering their own ships and moving to secondary ports, Sengupta said "that will cost more from a shipping perspective," which would get passed on to the consumer.

"In a lot of ways, it's a perfect storm of external factors," Sengupta said. "It's not going away any time soon."

Merchants on Long Island have seen the impact of supply shortages and higher costs firsthand.

"There are shortages in the supply chain, and it has no rhyme or reason," said Tony Tanzi, owner of Kings Park Hardware and president of the Kings Park Chamber of Commerce. "The items that you can't get change almost weekly. We're seeing about a 30 percent shortage, so if we order about 100 items, 30 of them aren't showing up. They're backordered, not in stock and we can't get them."

And because the problem is so widespread, there aren't a whole lot of options when looking for other sources.

"You try to stick with your usual suppliers, but obviously you have to have product to sell it," Tanzi said. "The problem we're having now is that nobody has it. There aren't a whole lot of avenues. You really can't seem to find it anywhere."

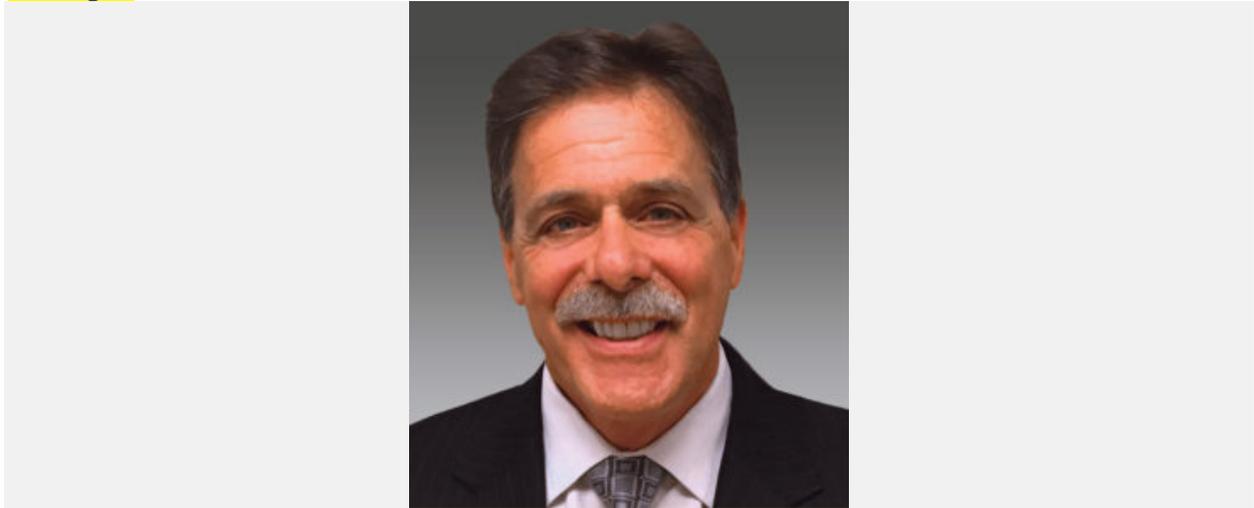
Julie Marchesella, owner of Queen of Hearts in Merrick, which sells custom gowns and formal dresses, said her business has also been impacted by the shortages.

"In terms of the supply chain, getting product to make our product is even more difficult," said Marchesella, who also serves as legislative chairperson for the Nassau County Council of Chambers of Commerce. "We're having problems getting zippers, snaps, certain fabrics and sequins, so in the bridal industry we're getting hit very hard. We have issues with containers on the West Coast, still on ships, still in the harbors. Gowns from China and various parts of Asia haven't been unpacked. We're behind on deliveries. This is becoming a severe issue and it's going to be right down the line."

And the result of supply shortages is higher prices. The prices consumers pay rose 0.4 percent in September, and they're up 5.4 percent over the past 12 months, matching the fastest rise in prices since 2008, according to numbers from the U.S. Department of Commerce.

At the same time, however, wages aren't keeping up inflation. Median weekly earnings of the nation's 115.3 million full-time wage and salary workers were \$1,001 in the third quarter of 2021, according to the U.S. Bureau of Labor Statistics. That's a paltry 0.7 percent increase over the last year, compared with a robust gain of 5.3 percent in the Consumer Price Index over the same period.

Perhaps the most visible sector impacted by supply-chain issues and higher prices here is the food industry. For restaurateurs, there's a lot to navigate, including menu planning at a time of food shortages.



Lou Biscotti

Many now are seeking alternatives to perishable ingredients, said Lou Biscotti, the food and beverage services leader at Marcum Accountants and Advisors, with offices in Melville.

"Frozen food is exploding right now because of the pandemic," Biscotti said. "It's more efficient for them to utilize," and less costly.

Canned goods are also sought after. Yet canned items may also have a limited run, as the metal used for cans are in short supply, Sengupta said.

And storage for these items can present new challenges.

Already, the food industry is eyeing rising aluminum prices, impacting the costs of items such as serving trays, said Michael Tucker, president of the Long Island Food Council.

"People want low prices," Tucker said. But in the end, their ability to source items may come down to loyalty. If someone only shopped by price, he said, they may struggle to secure goods, whereas someone with strong vendor relationships will likely have an easier time securing goods.

For many, the process of hunting down ingredients is a "logistical nightmare," Tucker said.

People need to communicate their needs, Tucker said, pointing out that one organization may have excess inventory they can't use that could be "a whole supply for someone else," he said.

These scenarios are also impacting consumers as they shop for goods for their families. They may turn to frozen, canned and now even processed foods to get the items they want for meals, Biscotti said.

"People buy in bulk," he said. And when they can't find the items they want at the grocery store, consumers, as well as restaurants, might find an easier time locating preferred items in a different town where the demand might not be as high, Biscotti said.

Tanzi said he is also trying to buy in bulk to service customers.

"If you see things that there may be a shortage coming on, you'll purchase it in quantity and find a place to store it," he said. "You want that ability to provide a product at the right cost to your customer, so if you get it now knowing that there's going to be an increase, we can be the guy that

says, 'Hey we have it at a lower cost than it was a month ago,' it makes customers more apt to shop in your store."

Those looking for light at the end of the supply-chain-causing-inflation tunnel may have to use a telescope, as experts predict the current crisis has some legs.

Federal Reserve Chair Jerome Powell said last week that the tangled supply chains and shortages have gotten worse since the summer and will likely keep inflation elevated well into next year. Some say the problems could even last into 2023.

"There will be structural changes that we're not aware of yet," Sengupta said. "It's too early in the cycle."