

Global Shortages in a Covid World Drives Costs Up



BY DAVE WRATHALL
CEO Ecrotek Beekeeping Supplies

As a supplier into the industry, one of our objectives is to provide a quality product and service at a fair price to our customers. Our procurement and product management team work closely with our suppliers to ensure we are getting the best of both – a fair price and a quality product, be it raw materials for our production/manufacturing, or finished goods.

The last 12 months have thrown many challenges to us all, in many ways. From a business perspective, the biggest challenges for Ecrotek have been two-fold: getting product delivered when we expect it, and the increasing costs of the product, including the associated freight costs.

As background, Covid has changed global purchasing patterns. Consumers have moved from spending on services (travel, restaurants, bars etc) to goods. Trillions of dollars have been diverted into treadmills, bikes, computers, new furniture, house renovations, new coffee machines ... the list goes on. This huge spike in demand for goods has put enormous strain on the global supply chain. From the energy to run production plants, to the cost of the raw materials as demand outstrips supply, through to the demand for empty containers and availability of container ships.

For Ecrotek, two of our core raw materials are resin for plastic hives, and timber for boxes and wooden frames. The simple

supply-demand model applies at present, so prices are rising for those materials, at levels greater than we have ever experienced. Along with this, wage levels are creeping up and that our customers will be familiar with.

On top of this is shipping. From a NZ Herald article:

Containers that carried millions of masks to countries in Africa and South America early in the pandemic remain there, empty and uncollected, because shipping carriers have concentrated their vessels on their most popular routes — those linking North America and Europe to Asia.

And at ports where ships do call, bearing goods to unload, they are frequently stuck for days in floating traffic jams. The pandemic and its restrictions have limited the availability of dockworkers and truck drivers, causing delays in handling cargo from Southern California to Singapore. Every container that cannot be unloaded in one place is a container that cannot be loaded somewhere else.

"I've never seen anything like this," said Lars Mikael Jensen, head of Global Ocean Network at AP Moller-Maersk, the world's largest shipping company. "All the links in the supply chain are stretched. The ships, the trucks, the warehouses."

For Ecrotek's imported raw materials and finished goods, shipping prices have increased six-fold in recent months. Yes, six times for each container delivered to our door.

So how are we managing this situation? First and foremost, we are in constant contact with our suppliers and shipping agents, maintaining a strong relationship. We are endeavouring to secure supply in a timely manner, so that our lead times to manufacturing meet our customers' needs in terms of timing. We have also looked at how much of this increased cost we can absorb across our product range. And where we can, we have. Unfortunately, we have not been able to absorb all the increases, so have had to address our prices.

We do expect things to settle down, but all indications are that it will be at least another 12 months. As time progresses, and the supply-demand curve re-balances, we will look at all prices to ensure we continue to provide a quality product at a fair price.

If you are an Ecrotek customer reading this, thanks again for your ongoing support, and patience in this difficult environment. And we wish you best of luck with your beekeeping business and/or hobby in 2021. 🐝



Dave Wrathall,
Ecrotek
Beekeeping
Supplies CEO