



North American Produce Industry Sounds Warning Bell Regarding Pallet Shortages Putting the Supply of Fresh Produce at Risk

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Although conversations are occurring within the North American (and global) industry relative to the current acute pallet shortages, we believe that many do not yet realize the factors impacting the situation and the potential scope of the issue, including **the availability of produce to consumers.**

A multitude of issues are impacting pallet availability including:

- Efforts of wholesalers, distributors and retailers to ensure sufficient inventory of non-perishables given previous pandemic-related impacts.
- The availability of lumber to repair and build new pallets.
- The escalating price of lumber when it is available.
- Non-perishable inventory dwell time increase.
- Lack of available trucks to relocate pallets.

The lack of pallets is adding stress to a supply chain that is already facing significant challenges which include a lack of available trucks and shipping containers, ongoing labour challenges, fluctuating fuel costs, pandemic-related challenges and a pending shortage of resin used to make reusable containers and pallets. At this time expectations are that the pallet shortage will continue for months, perhaps for the rest of 2021 – all at a time when many North American produce items are just beginning seasonal harvests and shipments.

To give a sample of the scope of the issue, we've compiled the following information:

- The shortage of lumber and wood products has increased the cost of raw lumber from 200% to 350% and is making the cost of wood pallets to increase incrementally.
- In one example, it was noted that over the past few weeks, pallet costs had increased by more than 400%, IF the pallets are even available, and often they are not.
- One farmer was told by one pallet supplier that they are not taking any new customers due to an inability to fill even existing customer demand.
- Companies are forced to bring pallets from other jurisdictions thereby incurring border and transportation costs.
- Pallets are being held in-house due to delayed and cancelled orders from pallet services, leading to higher storage charges and increased congestion within operations.

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Working together, the supply chain must balance organizational goals relative to overall availability of goods with availability of food. If there is not a concerted effort across the supply chain to ensure pallet availability for shipment of produce, there is little doubt that it will be very difficult, if not impossible, for the grower/shipper community to meet buyer, and ultimately consumer, demand for produce. Simultaneously, growers and shippers are working hard to remain compliant with pallet requirement specifications where they can, but this is proving challenging. **Temporary modifications or exceptions to pallet requirements, as long as they do not jeopardize safety, would prove advantageous until this pallet shortage is resolved.**

This letter is intended, in part, to act as a catalyst for industry awareness and should be shared with all stakeholders to ensure a consistent understanding of the issue and to encourage discussions and efforts towards a path forward. All partners in the supply chain should have regular conversations with their pallet suppliers to understand the situation and pallet inventories/availability.

We welcome the opportunity to work collaboratively with all parties within the supply chain to mitigate the impacts of the current shortages and will reach out to stakeholders to identify a path forward that provides solutions to this increasingly disruptive threat and enables the continued flow of goods.

