

Coin Shortage Pinches Convenience, Grocery And Retail Merchants

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The [COVID-19 pandemic](#) has created a number of temporary shortages, including toilet paper, disinfectants and even meat. But one shortage most people likely haven't noticed is affecting retail segments like convenience stores, gas stations and dollar stores. The U.S. coin supply is dwindling.

While some of us have been collecting piles of coins in forgotten drawers or car cup holders, retailers are having to get creative in making change for customers. They cannot get enough coins from their banks, as reported in this [USA Today story](#). International grocer, Kroger has also recently announced a [halted use of coins](#) caused by the coin shortage.

One gas station owner in Michigan, Ken Lucia, told the paper he has been rounding up or down when making change to save up on coins. "If the sale is \$4.79, he will ask customers if they mind losing a penny and round up, giving them 20 cents. Or, he will round down to \$4.75 and give them a quarter," the paper explains.

A Slow Economy and Reduced Consumer Spending

What's causing this coin shortage? A couple of reasons – and both are related to the pandemic. For one thing, consumers as a whole have been [spending less](#) since the start of the pandemic. Decreased spending means paying for fewer purchases that involve cash, specifically coins.

"What's happened is that with the partial closure of the economy, the flow of coins through the economy has... kind of stopped," said U.S. Federal Reserve Chair Jerome

Powell, as [reported](#) by Newsweek. “The places where you go to give your coins and get credit, cash... those have not been working. Stores have been closed.”

The second reason for the shortage, according to Newsweek, is the U.S. Mint has slowed coin production because of a reduced workforce to comply with social distancing measures. As a result, less coin is being issued, substantially reducing the allocation of pennies, nickels, dimes and quarters to the banks that sell them in rolls to retailers. The [Federal Reserve](#) says the pandemic has “significantly disrupted the supply chain and normal circulation patterns for U.S. coin.”

Industry Associations Declare ‘Breaking Point’

The coin shortage caught the attention of a consortium of national industry associations dedicated to the retail, hospitality, convenience and grocery industries including the NGA, FMI, IFA, NACs, NAMA, RILA and SIGMA. The National Grocers Association (NGA), sent a [letter](#) urging those responsible for distribution, the U.S. Department of the Treasury and the Federal Reserve to release more coins or risk discrimination of lower income Americans who rely on cash due to access to full banking services.

The [letter states](#) that the grocery and convenience industry “estimates that 45-60% of those sales are derived from cash payments. These industries need to efficiently process large volumes of consumer transactions every day and many of those transactions are paid in cash. A critical, but largely unseen, part of these businesses’ operations, then, is obtaining sufficient amounts of coins to be able to handle cash transactions and provide customers with change.”

“We were alarmed to hear that the system for distributing coins throughout the country is at the breaking point,” the letter says. “Some of our member businesses are being told that they cannot get coins from their banks at all. This threatens the functioning of our member businesses and, by extension, the needs of their customers.”

Government Response to Limited Coin Circulation

Relief may be on the way. The Fed has convened a U.S. Coin Task Force with representation from the government and private industry to “identify, implement, and promote actions to reduce the consequence and duration of COVID-19 related disruptions to normal coin circulation.”

For some retailers, the solution cannot come fast enough. The coin shortage adds to ongoing concerns that [cashless systems](#) may displace cash altogether, something that laws in Massachusetts, New Jersey, New York City, Philadelphia and San Francisco are [meant to prevent](#). The laws prohibit merchant from refusing cash payments, and a recently proposed bill introduced in the U.S. Senate would establish a similar law nationwide.

The Senate bill and the NGA's plea to circulate more coins provide evidence that contrary some predictions that cash will eventually disappear, [cash is here to stay](#). The NGA states that "cash represents more than one-third of all funds transacted in-person by U.S. consumers and that number rises to nearly half of all funds for transactions of less than \$10." APG Cash Drawer has a series of solutions to support your cash management needs. For more information...