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INSIDE THIS ISSUE

Coins Are in Short Supply

Due to COVID-19 lockdowns, fewer coins are circulating than normal and businesses are pleading with banks to find more. The Federal Reserve is working with the U.S. Mint to ramp up production and is managing existing Fed inventories to help ease the shortage.

We have heard from convenience retailers who are struggling to find enough currency to make sure they have needed change on hand for cash-paying customers. There are more than 150,000 convenience stores across the country, and the industry handles about 160 million transactions per day—one out of every $30 spent in the U.S. economy goes through a c-store. It's a cash-heavy business.

Currently, US consumers use cash as their form of payment in more than one-third of all in-person transactions. That number rises to nearly half of all funds for transactions under $10. Low income Americans rely more on cash with cash representing 43 percent of payments made by people with annual incomes under $25,000 and 35 percent of payments made by people with annual incomes between $25,000 and $50,000.

The coin shortage is resulting from the COVID-19 pandemic and its impact on government operations and consumer spending habits. Production of coins has been down at the U.S. Mint because of stay-at-home measures meant to protect employees from contracting COVID-19. At the same time, fewer coins in circulation means that the Federal Reserve's coin inventory has dropped below normal levels.

With overall transactions down and more consumers opting to use mobile apps and other contactless payments, that means retailers' cash deposits to banks aren't as robust as normal, crimping the coins banks have on hand to recirculate back into communities.

At a House Financial Services Committee hearing last week, Federal Chairman Jerome Powell said that "with the partial closure of the economy, the flow of coins through the economy has gotten all—it's kind of stopped," in response to a question from Rep. John Rose (R-Tenn.), who raised concerns that banks in his district say they are running out of coins. "Stores have been closed. So the whole system of flow has kind of come to a stop. We're well aware of this."

Powell said the Fed is working with Federal Reserve Banks and the U.S. Mint to ease the supply shortage, which he feels is temporary. "As the economy reopens we're seeing coins begin to move around again," Powell said.

The Federal Reserve issued a notice about the coin shortage on June 11. The Fed in the notice said it is confident that the inventory issues "will resolve once the economy opens more broadly and the coin supply chain returns to normal circulation patterns" but is taking additional measures to resolve the short-term shortage. Federal Reserve Banks are allocating "available supplies of pennies, nickels, dimes, and quarters to depository institutions as a temporary measure," using a methodology "based on historical order volume by coin denomination and depository institution endpoint, and current U.S. Mint production levels."

The Federal Reserve also called banks to "help replenish inventories by removing barriers to consumer deposits of loose and rolled coins."

In response to this emergency, the NACS Government Relations team is advocating that more coins be produced by the U.S. Mint and that the current coin inventory be fully distributed by the Federal Reserve.

Coins are essential to the operations of a convenience stores. Without them, retailers cannot serve their cash paying customers.

Credit Card Swipe Fees Continue to Thwart Merchants

Cash is becoming a rarity as shoppers increasingly rely on credit cards, apps and online purchases during the current pandemic. That's a growing problem for some retailers, such as Bump 'n Grind, an independent coffee and vinyl record shop, in Silver Spring, Maryland, according to the Wall Street Journal.

The shop, which roasts its own coffee beans, spent less on green beans last year ($12,827) than on the card-processing fees ($18,645) it pays to the financial institutions that enable cashless payments.

"All you know is at the end of the month they're pulling out X thousands of dollars," owner David Fogel told the Journal.

Bump 'n Grind closed for almost two months during the coronavirus pandemic, but Fogel continued to roast and sell beans. The coffee shop is now open for takeout only, but unless Fogel can renegotiate his rent, he may shut his store to focus on wholesale coffee beans.

Bump 'n Grind's plight is an example of what is going on in the largely hidden interchange economy. The fees are set by the major card networks, and merchants pay the fees to banks, driving the payments system and pushing up retail prices.

For NACS members and retailers across the country, swipe fees are retailers' second-highest operating expense behind labor. Convenience retailers paid an estimated $11.8 billion in card fees in 2019, according to NACS State of the Industry data.

Last year, cards represented 73.2% of sales transactions at convenience stores, NACS SOI data indicate. During the pandemic, cash sales have been down—which means more people are paying with debit or credit cards. A May NACS Consumer Survey found that the percentage of customers paying for gas by cash dropped from 21% to 14%, which may be the lowest it could go given how many consumers are shying away from handling cash in the current climate.

When a customer makes a credit card purchase, the merchant often remits 2-3% of the price to the bank that issued the card. These are swipe fees, and the bank may return some of the fee to the cardholder in the form of rewards.

Because retailers' profit margins are slim, they pass some of the fees to customers through higher prices, according to the National Retail Federation. Customers typically pay the same price whether they use cash or a card. Economists say this equates to a transfer from users of cash to users of cards. On average a cash-using household pays $149 a year, and a card-using household receives $1,133, according to a 2010 study from the Federal Reserve Bank of Boston.

Most U.S. households that have credit cards have a rewards card, even those earning less than $20,000 a year, according to Greg Weed, director of card-performance research at Phoenix Marketing International, which tracks the credit-card market.

Merchants paid issuers $53.6 billion in Visa and Mastercard credit-card interchange fees in 2019, more than double what they paid in 2012, according to the Nilson Report, a trade publication. The growth reflects two things. First, credit-card use rose in recent years: Americans made 67% more credit-card payments in 2018 than in 2012, according to the Federal Reserve. Second, banks rolled out more cards with higher swipe fees to pay more rewards.

To help support the rewards programs, banks also charge higher rates. Average annual percentage rates for credit cards have risen more for those with the lowest credit scores by about 4.2 percentage points since 2010, reports WalletHub.com, a consumer-finance website. That's compared with about 1.3 points for those with the highest credit scores. Merchants have battled card companies over swipe fees for decades and point to the impact on low-income consumers to help make their case.

Card networks bar merchants from accepting some but not all of their credit cards. A merchant who accepts Visa credit cards can't turn down premium cards that are often carried by wealthier consumers and have higher swipe fees. NACS is a plaintiff in the long-running merchant litigation against the card networks challenging their "honor all cards" rule and other practices on the grounds of antitrust violations. Roughly 63 merchants, including Amazon, Lowes, The Gap and Starbucks are suing Visa, Mastercard and card-issuing banks, claiming they collude to avoid competing over interchange fees. The merchants allege card fees are a hidden tax, especially for lower-income consumers who are more likely to pay with cash.

Merchants want the freedom to select which cards they will accept and to negotiate swipe fees directly with card-issuing banks rather than Visa and Mastercard. But card companies argue this would confuse consumers. They say the fees help cover costs such as fraud, innovation, reissuing cards with updated features and losses on unpaid cardholder bills. They add that cards help avoid cash-related costs including theft.

Large merchants fare better in the interchange economy than small. Costco switched its co-branded cards in the U.S. from American Express to Visa in part because Visa lowered Costco's interchange fees on all Visa-branded credit cards close to zero, according to people familiar with the matter. Small businesses lack that negotiating power. Swipe fees are especially harmful to small businesses, which account for more than 60% of the convenience retailing industry.

As reported in NACS Daily, Visa and Mastercard planned to increase interchange fees for many merchants starting next month, with the changes in some cases hitting small businesses the hardest. Visa and Mastercard have since said they've delayed those changes until next year. While some merchants bypass cards entirely, that has become more challenging during the pandemic when both consumers and retailers try to avoid touching cash.

Governments in many developed countries, including Australia and much of Europe, have capped credit-card interchange fees. A week ago, NACS Daily reported that in a landmark ruling the U.K. Supreme Court has supported a lower court's ruling that credit card firms charge excessive fees. The decision will allow Sainsbury's Supermarkets, along with other retailers, to proceed with a 2016 suit that seeks damages based on claims in which the fees violated U.K. anti-competitive regulations. The U.S. only has caps on debit-card fees.

"Banks have no incentive to curtail [credit-card spending], because they make money on it … so they don't have an incentive to prevent people from using credit cards," said Joanna Stavins, an economist at the Boston Fed.

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Survey Reveals 45% of U.S. Drivers Fill Up Once a Month

New survey data on American driving and auto fueling habits shows that motorists are fueling up far less frequently than they did prior to the COVID-19 pandemic. The results show that most American drivers are reluctant to resume normal activity despite quarantine sanctions being loosened or lifted.

Prior to the pandemic, 56% of survey respondents filled up at least once a week, and 11% filled up once a month or less, according to HONK Technologies. Currently, just 25% of respondents fill up at least once a week, and 45% fill up once per month or less.

Additionally, when motorists do drive somewhere, few are making trips beyond what is necessary for day-to-day needs. When asked what destinations they had driven to in the prior seven days, 83% said they had driven to a grocery store, pharmacy or some other store for necessary supplies. Just 17% had gone shopping, 21% to outdoor recreation activities, 25% to a restaurant or cafe, 31% to visit family or friends and 32% to go to work. Just 4% did not go out at all.

The online survey of motorists was conducted by HONK Technologies from May 15 to June 4. HONK provides a roadside assistance platform that connects drivers, towing professionals and insurers.

Bullish Analysts Predict $150 Oil by 2025

This year, oil markets dipped under $0 a barrel for the first time. Now some investors and analysts are forecasting a rebound to $150 per barrel, the Wall Street Journal reports. But others are less sanguine, pointing to the pandemic as suppressing fuel demand even after the coronavirus threat fades.

"That funding pressure is going to be massive. It's going to be really difficult for some of the producers to produce," said Trevor Woods, chief investment officer of Northern Trace Capital. "We could hit $150 pretty easily by 2025."

However, in the long run, most analysts predict prices will hit a level that will provide profit to energy producers from manufacturing enough crude to meet demand. COVID-19 has thrown a wrench in those calculations though, making investors unsure if transportation and consumption patterns will be permanently altered.

In late April, oil prices quickly recovered from negative territory as China's economy picked up and OPEC, Russia and North American producers slashed output. However, that recovery has halted because of new coronavirus cases, which lessened fuel demand in southern and western U.S. states. West Texas Intermediate futures have hovered at about $40 a barrel since late June.

Overall, investment in oil and gas is expected to decline 32% in 2020 to reach $328.4 billion—the largest drop in a decade, according to the International Energy Agency. That will impact oil production, which analyst Christyan Malek with JPMorgan estimated will lose five million barrels a day. "Could we see oil move to $100 over the next two years?" Mr. Malek said. "Absolutely."

Driving Miles Disappear by the Billions

Online shopping and working from home are the new normal, a move that will decrease U.S. driving by as much as 270 billion times annually, according to a new study by KPMG International, Bloomberg reports. Even if a vaccine becomes available, Americans indicated they would continue at-home work and ordering supplies online.

Fewer commuters will keep 14 million cars from U.S. roads, the study predicted, while also forecasting as much as a 10% permanent drop of the nearly three trillion miles typically driven each year. "This is terrible news for the after-market, where a lot of profits are being made," Silberg said. "Fewer cars driving fewer miles means less wear and tear. These will lead to profound changes."

Vehicle ownership will also decrease to slightly less than two cars per household. These habitual changes could trigger a million fewer new car and truck sales each year. For the past five years, each year, Americans bought more than 17 million light trucks, SUVs and cars.

"People buy a car to get to and from work and because shopping is a very important part of their lives," said Gary Silberg, head of KPMG's global automotive practice. "If two of the primary missions that the American public buys a car for are going to reduce in demand, we know that's going to have an adverse impact on auto sales. It's just like gravity."

OPEC, Russia-Led Alliance Agree to Lift Production

An alliance of crude producers led by Saudi Arabia has agreed to increase oil production starting in August amid signs that demand for oil is recovering after COVID lockdowns, according to the Wall Street Journal.

As NACS Daily reported, key members of the Organization of the Petroleum Exporting Countries and its Russia-led allies met last week to discuss oil production caps and agreed to loosen existing production caps by about 1.6 million barrels a day. That decision partly reverses the severe cuts enacted to stem a sharp price decline early in the coronavirus pandemic, and it helped push Brent oil prices up 43 cents, or 1%, to $43.3 a barrel.

Officially, the group agreed to an overall relaxation of cuts of two million barrels a day of production but required some countries that lagged in enforcing earlier cuts to reduce their output by a net 400,000 barrels a day. Those cuts will be required until the end of October.

On Friday, the International Energy Agency reported that the worst effects of the coronavirus on global oil demand have passed but will continue to echo as the market slowly recovers in the second half of 2020. In its monthly report, OPEC itself said it expected that the world's demand for oil would increase by seven million barrels a day next year.

he world's largest oil producers are attempting to mop up an oil glut and stabilize prices. West Texas Intermediate futures, the benchmark in U.S. oil markets, have traded at around $40 a barrel since late June after briefly falling below zero in April.

Experts said the easing of reductions remained a risky bet. "Some of the more errant producers could use the easing as an excuse to revert to past practice, and overall group compliance levels could erode," said Helima Croft, chief commodities strategist at Canadian broker RBC. "Given the financial distress facing many OPEC producers in a $40 [per barrel] Brent environment, the margin for error appears rather slim in our view."

'No Mask, No Service' Policy

Customers at convenience store locations need to bring their masks.

Cconvenience store retailers are enforcing a "No Mask, No Service" policy following the New York State Department of Health's Emergency Regulation, which went into effect on July 9.

The department's rule is a follow-up to Gov. Andrew Cuomo's executive orders mandating masks for all businesses, their employees and customers over the age of 2.

The state Department of Health has threatened to levy fines against retailers that don't enforce the state's mask requirements.

Last week the department informed retailers they could face a potential $2,000 fine per day per store if they do not enforce the mask mandate.

Aluminum Can Shortage Limits Beer, Soda Supplies

One side effect of the coronavirus pandemic has been more at-home consumption of beer and soda. That, in turn, has triggered an aluminum can shortage that is tightening supplies of certain beverages, USA Today reports.

"Aluminum cans are in very tight supply with so many people buying more multi-pack products to consume at home," said Ann Moore, Coca-Cola spokesperson.

While can makers, including Ball Corp., will be building at least three new factories by mid-2021, the immediate supply issue remains critical. "The can industry is working 24/7 on meeting the unprecedented demand," said Robert Budway, president of the Can Manufacturers Institute.

The good news is there's plenty of raw material for aluminum can production—it's the capacity for can production that's limited. "The aluminum beverage can manufacturing industry has seen unprecedented demand for this environmentally-friendly container prior to and especially during the COVID-19 pandemic," said the Aluminum Association. "Many new beverages are coming to market in cans, and other long-standing can customers are moving away from plastic bottles due to ongoing environmental concerns around plastic pollution. Consumers also appear to be favoring the portability and storability [of] cans as they spend more time at home."

Before COVID-19, demand was soaring for aluminum cans. The pandemic merely brought an "unprecedented surge in demand," said Renee Robinson, Ball spokesperson. "Beverages in convenient take-home packages like aluminum cans are particularly popular right now, and beverage company employees are doing all they can to make sure store shelves remain fully stocked," said William Dermody Jr., vice president for media and public affairs for the American Beverage Association.

When Is The Best Time To Have Your Clerks Certified To Sell Tobacco?

NOW. Let me repeat myself. NOW. Now, before your clerk fails a sting. If your certified clerk fails a sting you receive one point against your license. If another certified clerk (because you fired the first one) fails a sting, you will have a second point against your license. It is not until the third certified clerk fails a sting that your lottery and tobacco license will be pulled. Even in this case there is a benefit, after serving your suspension, the three points will be removed.

If an uncertified clerk fails a sting, you will receive two points against your license. Let's say you train your clerks then. The next failed sting will add another point, making three points. Your license will be pulled for a year, and there is nothing you can do about it. It still makes sense to have your clerks certified after the first failed sting for two reasons. A certified clerk is less likely to fail that second sting. If they do, the three points will be removed from your license after you serve your suspension. If you don't have your clerk certified, only three of your four points will be removed and you will be well on your way to another suspension or revocation.

Need another reason? How about money. Who do you think is going to get a fine on the lower end of the scales listed in the article above? Who is going to get the higher fine? One who has certified the clerk or one who has not?

Need another reason? How about money. How many customers are you going to lose when they can't buy their cigarettes at your store?

Consider this, a certified clerk is much less likely to sell to underage customers, meaning you are less likely to have to deal with the hassle of a failed sting. It just makes good business sense to certify your clerks. Remember training them is not the same as certifying them.

ONE MORE THING TO DO TODAY. CHECK YOUR CLERKS CERTIFICATION. IT EXPIRES AFTER THREE YEARS. IF YOUR EMPLOYEE'S CERTIFICATION IS EXPIRED, IT IS THE SAME AS IF IT NEVER EXISTED.

For more information on certifying your clerks call the association at 518-452-4367.

Q & A – Section 609 MVAC Course Book

Q. Why do I have to download a new course book.

A. If you downloaded a course book before 2019, it is obsolete. The new book discusses manners of handling the latest approved refrigerants. It will be obvious that you used the old course book since the final exam questions and answers have changed.

Q & A – Already Section 609 Certified

Q. I (or my employee) is currently Section 609 Certified. Do we need to be recertified in order to purchase refrigerant.

A. No. Your previous certification has been grandfathered in. NOTE: any one doing repairs on a motor vehicle air conditioning must be section 609 certified.

Q & A – ATUPA Training Course

Q: Do I need to download a new book for tobacco training.

A: The course was always intended to be studied online. However, if you downloaded the course, you will need to download the new course which has slide answering the questions below as well as summarizing the material in the lead articles.

Selling Your Inspection License

If you are thinking of retiring or selling your business and have a New York State DMV Inspection license, your license may be valuable depending on the county where your shop is located. If you have questions on the sale and/or transfer of an inspection license call the association office at 518-452-4367.

DMV Record Retrieval

DMV record retrieval is available to association members and affiliates at a cost of $12 per record. Additionally, you may order DMV certified paper abstracts of driver's license, vehicle registration, and vehicle title records for an additional fee of $2 per abstract. Please call 518-452-4367

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