

The Truth Behind The Great Ammo Crisis

Caleb Giddings – FNRA Shooting Illustrated - Friday, February 5, 2021

Everyone is aware of the ammunition crisis. Major media outlets have covered it, it's all over what little of your social media feed hasn't been censored, and I've been covering in detail since July. The ammo crisis has been constantly evolving, starting as a mere shortage in the early days of the COVID-19 lockdowns, and progressing to a full-blown crisis as I write this 321 days after March 13th.

What caused it?

The simple explanation is that demand exceeded the supply, then continued to exceed the supply. But to understand how that happened you have to go a little deeper. According to Jason Vanderbrink, President of Federal, CCI, Speer and Remington, before the COVID-19 pandemic, there was considerable excess capacity in the ammunition market.

Manufacturers could make more than they could sell, so supply was abundant and prices were low. You could order a case of 9 mm off the Internet for \$200. Manufacturers were prepared for an uptick in sales that normally accompanies a presidential election, but the excess capacity would have been enough to cover that.

2020 had other ideas. The first was the COVID-19 pandemic. Then a summer of civil unrest that sometimes turned violent. A hotly contested presidential election, and then the party of gun control having control of both houses of Congress and the Presidency.

Any single one of those would have spiked demand, but all these factors happening in rapid succession was more than the market could bear. Partly because the NSSF estimates that 7 million new gun owners entered the market in 2020. As Vanderbrink pointed out, if those 7 million new gun owners each bought 100 rounds of ammo, that's 700 million rounds that the market needs to produce.

To put that in context, the entire commercial market in 2018 made approximately 8 billion rounds. An 8.75 increase in demand wouldn't shut everything down, but when it's added on top of the demand created by all the other factors, it becomes too much.

How high is demand?

During a media presentation at Virtual SHOT Show 2021, Winchester said that if they stopped taking orders for .22 LR right now, it would take 2 years to fill all the back-orders. In December, the Vista family of companies, which comprises Federal, CCI, Speer, and Remington, announced they had a \$1 billion backlog in orders. In the first 3 months of the COVID-19 lockdown, Winchester experienced a 17-percent surge in orders, which hasn't tapered off.

Why can't they build more factories?

The first question on people's minds is "Why don't these companies expand capacity?" That's much easier said than done. Vista, for example, is already running three shifts a day, and operating 24/7. The same is true for Magtech in Brazil. For one of these companies to add capacity, they'd have to build a new space, and buy new machines, and train and staff the new machines.

All that while hoping that the bottom doesn't fall out of the ammo market like it did in 2017. That investment in extra space costs millions of dollars and takes years to pay off, and if you look at past trends in the ammo market, not even this surge will last forever.

Why are prices so high at the consumer level?

Vista, Winchester, and Magtech/S&B announced a 15-percent price increase to distributors. Distributors have already raised prices, and of course at the retail level prices are coming up. Prices have to come up to create equilibrium. Eventually the cost to the consumer will be high enough that people won't panic buy 9 mm FMJ. Retailers will start to have more stock than they can sell and prices will start to come down.

The manufacturer price increase helps as well. In a letter to distributors, Vista announced that all back orders would ship with the higher price. If this causes people to cancel their back order, that frees up theoretical capacity to go into the market. Using AmmoSeek to track historical 9 mm prices, the online price for 9 mm seems to have plateaued at between \$0.80 and \$0.90 per round for quality new manufactured 9 mm, which is actually a good sign.

Why can't I get primers?

Only two domestic companies make primers, Vista and Winchester. All their primers are going into their production ammo for retail. Normally, the primer market is fed by companies being able to make more primers than they'd ever need to make loaded ammo. In 2020 and now 2021, that's not been the case, so every primer that rolls off the line is going into a loaded piece of ammunition so the consumers can have something to immediately shoot. It's a tough situation for reloaders, but the priority will always be the commercial shooting market.

What about the government?

To answer the question right off the bat, no, the government is not buying ammo and stockpiling it in a warehouse somewhere to keep it off the market. The largest government consumer of ammunition is the Department of Defense, and the majority of their ammo comes from the Lake City plant, which is currently administered by Winchester. Lake City is owned entirely by the government—all the machines, all the land, etc. The government then contracts its operation to private companies, with Winchester taking over for Northrop Grumman in 2020.

Other federal agencies and local LE agencies do source from private manufacturers, but they're getting squeezed too. Federal contracts are public record, and there has been no unusual ammo related purchasing activity since the shortage began in March. Local LE agencies don't have the purchasing power to cause a shortage like this, unless there was some secret meeting of all the police chiefs in the country to secretly buy all the ammo (there wasn't). While it might feel good to believe there's some sinister force behind the ammo crisis, the answer is a slightly more complicated version of "supply and demand."

What are the companies doing about it?

As noted above, everything they can. Mike Fisher, the VP of Sales and Marketing at Magtech, said in a phone call, "We're doing everything we can to get product to our loyal customers. We've worked hard to build these relationships and getting them ammo, so they can get it to the consumer, is our first priority."

In a video statement, Jason Hornady said that they have made a third more ammo this year than they did in the previous year, and also pointed out that there is no government conspiracy to make ammo scarce. As noted above, the price increases across the board will eventually have a stabilizing effect on the supply of ammo, as it will eventually reach a point where most people won't feel the need to buy.

You can help as well. The most important thing you can do as a consumer is don't panic. Ammo is available. AmmoSeek shows a daily inventory of what its bots find in stock. There's ammo for sale on GunBroker and ArmsList. It's more expensive than any of us would want, but it's better to have it available than to have empty shelves. The second most important thing you can do is "don't be that guy."

You know that guy—the one who finds 55-grain .223 at a great price and cleans the whole place out. That guy sucks. Buy what you need and maybe a little more, but don't buy 10,000 rounds of ammo you're going to end up trying to flip to make a car payment in 6 months.

Last, stop repeating conspiracy theories. Contrary to what your favorite YouTube entertainer told you, there's no government or industry conspiracy to drive up the price of ammo.

When will it get better?

In my first article about this, I optimistically thought that if Republicans retained control of the Senate, we'd be back to normal supply levels with slightly increased pricing by July. Given the state of the back orders, I don't think we'll see a return to regular levels of supply now until early 2022.

As far as pricing? Sometime after supply gets back to normal level, and that's assuming that nothing weird happens in 2021 (everyone knock on wood right now). Right now the best thing to do is stay calm, don't panic buy, and let the ammo industry do everything they can to get caught up.