

# Post-Brexit shortages and history rhyming

*CIB chairman Edward Spalton reflects on the current supply-side shortages from a historical perspective. Those quick to ascribe shortages to 'Brexit' should recall the experience of the 1970s, which serves as a timely reminder that just because one event follows another does not necessarily mean that one has caused the other.*

'History does not repeat itself, but it often rhymes.' This saying, attributed to Mark Twain, came to mind as I read of the latest disruption to supply chains and shortages of fuel and raw materials – largely the consequence of COVID lockdown policies around the world.

In 1973 something very similar happened shortly after we joined the EEC. On top of the rise in food prices as a result of the Common Agricultural Policy (CAP), there was a huge price shock shortly afterwards caused by war in the Middle East and a massive hike in oil prices – which transmitted itself to commodities of all sorts worldwide.

Early in that year Sir Emrys Jones, who had been Senior Adviser to the Minister of Agriculture and Director of the Agricultural Development Advisory Service, addressed a group of feed technologists. We were surprised to learn that he had been deeply opposed to the CAP, although he had certainly done his duty in an exemplary way to prepare the industry for joining it. We had been completely ready by January 1st with no begging for 'grace periods' or for delays in implementation. At the time he addressed our group, he had resigned from the civil service and become Principal of the Royal Agricultural College, Cirencester.

So we got a very different talk to what we had expected. Instead of a deep, forward-looking assessment of how the new European system would work out in the long-term, we heard of the many urgent difficulties the college faced in practical matters as a result of the commodity crisis. One was a shortage of toilet paper because, as he said, 'our Victorian drains block solid after a week of the Daily Mail!'

Sir Emrys was a very practical man, raised on a Welsh hill farm. He was making the wider point that our customers would be looking for sound advice on how to cope with the crisis and our value as suppliers would be increased if we could provide it along with our usual products. He was delighted to be free from Whitehall. When I asked how he liked his new job, he said 'Man! If it wasn't for the bloody students and the bloody governors, the job would be bloody perfect!'

There were shortages in the shops. Sugar was in short supply. It wasn't long after that when people began to fear that salt would be next, and panic buying soon cleared the shelves. Now, of course, there were millions of tons of salt under Cheshire so there was no shortage. But retail packaging ran out and, being based like toilet paper on imported material, could not instantly be replaced. So even a simple product like salt was in short supply because it depended on more complex supplies to render it fit for pre-pack sale through the supermarkets.

With regard to food, Margaret Thatcher commented on the 1975 Agriculture White Paper:

*'We are the most vulnerable country with our need for food imports. Therefore it is vital that we secure access to continuous and good sources of food supply. In some years supplies from the continent will be more expensive: in other years they will be cheaper. But the great benefit is access and the greater stability of supplies.'* (Hansard 1024)

We still are vulnerable in this respect – more so today with a population which has grown by some 10 million in recent years.

Consider today's far more complicated situation where manufacturers rely on complex 'Just in Time' supply chains for supplies of all sorts from all parts of the world. It was Toyota which led the way in Just In Time supply chains. They have used their experience to refine their system. Almost alone amongst motor manufacturers, they are not short of microchips, those increasingly vital components. It is no use starting up car production if you haven't got the right ones. The cars would not go!

It is interesting to learn how they achieved this. They took into account the time it would take to restore supply after a disruption and increased available stock accordingly. It is easy to restart production of some other materials, such as the plastics used in cars. They do not need so much of a buffer stock. But building or re-starting a microchip factory is a lengthy business and the prudent stock level reflected this.

Not only is all of Europe short of qualified lorry drivers to carry goods for export or import; all over the world there are supply chains which are out of joint. Shipping containers are not where they need to be. Ships are in the wrong ports. Highly skilled production teams have to be recruited and retrained.

In 1973 at the time of joining the EEC, in the middle of the turmoil of keeping our businesses going, we tended to lump all these effects together in our minds and blame them on the European project. But just because things happen at the same time or one after the other does not mean that one event has necessarily caused the other. They become associated in our minds because people experienced the effects simultaneously or very close together. So not every snag and shortage will be down to Brexit or the EU – just as they were not all due to

the EEC when we joined.

The circumstances are similar to those which coincided with our joining the EEC but on a bigger scale, so I think we can say that history has indeed 'rhymed' – but more loudly this time because of the length and complexity of supply chains and the techniques used to manage them with the minimum possible capital.