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Britain's Tea Shortage Scare A Sign of Trouble Brewing

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A tea shortage in Britain is surely a sign that the apocalypse, or a near-national crisis in the least, are nigh. In February, supermarket chain Sainsbury's warned of exactly that. In some of its stores signs announced "supply issues affecting the nationwide supply of Black Tea". The presumed culprit: The attacks on shipping in the Red Sea.

Linking the Mediterranean and the Indian Ocean, the Red Sea provides the Southern access to one of the most important trade lanes in the world, the Suez Canal. The amount of freight usually taking this route is colossal. Around 90% of traded goods globally are carried by sea. 12% of trade goes through the Suez Canal, transporting over USD $1 trillion worth of goods per annum.

Since Houthi forces from Yemen hijacked a commercial vessel on 19th November 2023, attacks have been ongoing. The Houthis claim they target ships with links to Israel, the USA, and the UK in a show of support for Palestinians, but links have not always been clear.

What has been clear is the impact on global trade. The initial multinational security initiative, which started on 18th December 2023, was aptly called Operation Prosperity Guardian. Subsequently, US and UK forces, supported by other countries, have conducted air strikes to disrupt the Houthis' ability to continue their attacks.

The military intervention has so far not been able to enhance security for shipping in the region. **Two recent attacks show that the risk for ships and crews is real. First, the sinking of the Rubymar, a Belize-registered bulk carrier carrying fertilisers, which will cause an environmental catastrophe, and more recently the first fatal attack on the M/V True Confidence, a Liberian-owned bulk carrier**. More than 80% fewer containers than normally be expected are currently transiting the Red Sea. For much of 2023, daily Suez Canal transits were above the previous year's figures, but now they are sitting at around half the number of ships. In February 2024 nearly 300 less ships per week cross the Suez Canal in either direction. With rerouting via the Cape of Good Hope reaching 98% increase in count.

A detour of a good 2000 nautical miles might seem extreme, but there are few alternatives. Going around Africa adds one of two weeks of shipping time and around $1 million to a journey between Asia and Europe. It can result in a 70% increase in greenhouse gas

emissions for a Singapore to Norther Europe round trip. That is because vessels travel faster to cover longer distances, thus abrading the environmental gains from slow steaming. But many shipping lines prefer this over the dangerous waters off the coast of Yemen.

As a result, the number of incoming ships in European ports like Hamburg, Germany, has decreased by 25%, with the Mediterranean Sea becoming a cul-de-sac. Container rates, especially between Asia and Europe, rose sharply, although never to the levels experienced amidst the COVID-19 induced supply chain crisis. Recently, container rates have actually fallen slightly, a first sign of the global transport system adjusting to the new norm where costs are higher and ships are tied up for longer on some of the main trade routes.

There really is no other way than to adapt. Looking at the main Asia to Europe routes, the only other options for sea transport are to go East through the Panama Canal, which adds considerably longer distance and travel time, or North through niche routes the Arctic. Both routes are plagued by severe challenges.

The Panama Canal has been hit by extreme drought, which severely limits the number of ships able to pass through it. Indeed, ships between Asia and the US East Coast had been rerouted through the Suez Canal before the start of the Houthi attacks. With that option now no longer feasible, companies have shifted cargo to the railway line running in parallel to the Panama Canal. The extreme drought has brought to the forefront discussions about the defunct Nicaragua canal, or the construction of a 130km Maglev technology tunnel in Northern Colombia. With both great canals experiencing disruptions at the same time, all global trade flows are feeling some effects of the problems.

Going North instead does not seem unappealing at first glance. The Northern Sea route is actually 40% shorter than the Suez Canal route. However, it can only be used for around five months of the year because of sea ice making it impassable and the impact of shipping on nature could be drastic. At the moment, transiting these waters off the coast of Russia is affected by sanctions due to the Ukraine war. The same is true for the rail connection between China and Europe.

The remaining option is air freight. Shipping goods by air is much faster than by sea. Even with diversions around Russian air space in place, flight times are calculated in hours rather than weeks. Greenhouse gas emissions are about 47 times higher, but given the disruption on the seas, some shippers might be tempted to send their goods by plane instead.

For many of the goods that usually transit the Red Sea, flying is not an option. Transporting oil by air would be too dangerous. For bulky but relatively low-value goods like grains, the 12-16 times cost increase is not economically viable. But for something as lightweight, thoroughly non-dangerous, and vitally important to the British lifestyle as tea, a flight from Sri Lanka or India over all the sea transport troubles might be considered the smart move.

However, air freight is having its own issues, particularly on the routes between Asia and Europe and North America. To blame, for once, are not geopolitical complications, but the enormous success of online retailers Shein and Temu. Between them, the two ship around 9,000 tonnes of goods per day – enough to fill 73 Boeing 747 jumbo jet freighters.

Companies wanting to switch from sea to air freight find that all the capacity is being snatched up by the enormous demand for fast fashion.

The Red Sea crisis is not solely to blame for a potential tea shortage. It sits amidst a wide array of transport disruptions around the world. More broadly, the transport system struggles to keep pace with the consumerism and overconsumption that drive global supply chains. Disruptions at choke points like the Suez Canal are particularly likely to result in ripple effects.

UK tea shortage fears turned out to be largely unfounded. Industry representatives agreed that there were some ongoing issues with shipments, but that stock levels were good and any impact on consumers should be minimal. However, this storm in a teacup shows just how vulnerable countries are to the geopolitical weaponisation of supply chains which is increasingly becoming a part of economic statecraft.