

# Volcano Disrupts Just-In-Time Manufacturers

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NEW YORK (AP) — The strategy of keeping inventories lean paid off for U.S. manufacturers during the recession. Just-in-time delivery of parts makes even more sense when budgets are tight.

Now that a giant ash cloud from a volcano in Iceland is disrupting global air freight, some manufacturers are finding that this strategy is backfiring. Nissan suspended production at two Japanese auto assembly plants Tuesday and BMW was forced to idle three plants in Germany because of shortages of critical parts. Computer maker Dell is experiencing delays in getting notebook computers to European customers.

These kinds of production delays could lead to higher prices for a number of everyday items — from cell phones to seat covers, experts say. And some say the disruption from the volcanic ash cloud will lead companies to make changes in the way they do business.

Bill Carreira, CEO of Carreira Consulting LLC, who works with companies to develop and implement lean inventory plans, expects some manufacturers will revert to less-efficient methods. He thinks that would be an overreaction to a once in a lifetime event.

"If you have a volcano shutting you down, you're going to be in trouble no matter what you do," he said. A company should have "a bullet proof safety net," or emergency inventory. "You've got to throw a little reality on top of the math."

The concept of just-in-time manufacturing has been around for decades — dating back to the days of the Model T. Ford is credited with bringing one form of the concept to the U.S. in the early 1900s. The method allows manufacturers to use less warehouse space, streamline transportation and delivery processes and save money on raw materials.

Today, nearly all major industrial producers in the U.S. use this method to keep supply in line with demand, according to Daniel J. Meckstroth, chief economist for the Manufacturers Alliance, a public policy and economics research organization in Arlington, Virginia.

"A lot of productivity improvements (lead to) lower prices," he said. "And everybody benefits — from the supplier to the consumer."

Except when an ash cloud covers Europe.

Eight or nine months ago, the disruption to air freight in Europe wouldn't have had such an impact, Meckstroth said. But manufacturers have worked through the stockpiles that built up in the recession and now have very little stock on hand.

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The products most affected have been automotive and computer parts. In general, air freight is comprised of high-value, low-weight products including computer chips, medical supplies and textiles.

Both BMW and Nissan typically ship vehicles and components such as engines and transmissions from Europe to North America by sea. But some of the parts used in components are shipped to European factories by air.

Toyota, which popularized its own just-in-time methods in the 1980s, said it hasn't experienced parts shortages at its North American plants.

Deere & Co., the world's largest manufacturer of agricultural equipment, is rerouting critical parts into open airports, prioritizing freight as airports open and trucking parts in some cases.

Advanced Micro Devices Inc., the world's second-largest maker of microprocessors, is seeing a "slight delay" in some shipments, but it said it has enough inventory in its warehouses to prevent hiccups for customers.

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*AP Auto Writer Tom Krisher in Detroit and AP Technology Writer Jessica Mintz in Seattle contributed to this report.*

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