Situation Report:

Middle East Conflict: Fertiliser Shortage

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Situation Report: Middle East Conflict: Fertiliser Shortage

Executive Summary

The ongoing Israel-Iran conflict has triggered a global fertiliser shortage affecting all major nutrient types: nitrogen, phosphate, and potash.

The crisis stems from disrupted natural gas supplies, which has forced major production facilities offline across the Middle East. This report analyzes the immediate impact on global supply chains and provides actionable insights for managing operations in the agricultural and food industries.

Key Takeaways:

- Iran and Egypt's fertiliser production halted, removing ~13 million tons of annual capacity
- Urea prices surged 17% within days, from $350 to $410 per ton
- Brazil, Argentina, Turkey, and South Asian nations face immediate supply gaps
- Food prices expected to rise 10-20% by late 2025
- Crisis duration depends on conflict resolution timeline

1. Production Disruptions and Supply Chain Impact

The Middle East conflict has created a shock in global fertiliser production. Natural gas, the primary feedstock for nitrogen fertiliser production, is the critical chokepoint in this crisis.

Major Production Losses

Iran: The world's third-largest urea exporter has completely shut down operations:

- 7 major plants offline (8.9 million tons annual capacity)
- 4.5 million tons of annual exports suspended
- Key markets affected: Turkey, Brazil, Argentina

Egypt: This rising fertiliser exporter has ceased all production:

- All fertiliser plants stopped due to Israeli gas supply cutoff
- $3.4 billion in annual fertiliser exports at risk
- Domestic agriculture also threatened

Israel to Egypt Pipeline: Critical infrastructure disruption

- Leviathan and Karish gas fields shut as military precaution
- 40-60% of Egypt's gas imports eliminated
- No restart timeline provided

Regional Risk Assessment

Risk Level	Region	Key Vulnerabilities
Critical	Egypt, Jordan	Direct gas supply loss, production halt
High	Turkey, Pakistan	Major import dependency, no alternatives
Medium	Gulf States	Shipping risks, insurance costs rising
Low	Morocco, Algeria	Minimal direct impact, potential opportunities

2. Global Market Dynamics

The fertiliser market has reacted swiftly to supply disruptions, with cascading effects across all nutrient types. Understanding these dynamics is crucial to formulating procurement strategies.

Price Movements and Availability

Nitrogen Fertilisers:

- Urea prices jumped 17% in mid-June 2025
- Ammonia prices tracking natural gas increases
- European producers may curtail output if gas prices spike further

Phosphate Fertilisers:

- Prices firming after 2023 moderation
- China maintaining export restrictions (2 million tons vs. 5.5 million typical)
- Morocco positioned to fill some gaps but near capacity limits

Potash:

- Currently stable at ~$280/ton (down from 2022 peak of $1,000)
- Risk of renewed tightness if conflict expands
- Canada increasing output by 20% to meet demand

Supply Chain Bottlenecks

Transportation and logistics face mounting pressure:

- LNG shipping insurance costs rising in Eastern Mediterranean
- Spot LNG prices up 11% on supply fears
- Potential Suez Canal/Red Sea shipping risks if conflict expands
- Lead times extending as buyers seek alternative suppliers

3. Country and Sector Vulnerability Analysis

Understanding which nations and sectors face the greatest risk helps prioritise mitigation efforts and identify potential market opportunities.

Most Vulnerable Countries

Immediate Crisis Risk:

1. **Turkey** – Lost both Iranian and Egyptian suppliers simultaneously
2. **Pakistan/Bangladesh** – Energy and fertiliser double crisis
3. **Brazil/Argentina** – 85% and 70% import dependent respectively
4. **Egypt** – From exporter to potential importer overnight

Secondary Impact Countries:

1. **India** – Despite domestic production, relies heavily on imported phosphates/potash
2. **East African nations** – Already operating with minimal fertiliser use
3. **Small island states** – Complete import dependence, limited purchasing power

Regional Risk Assessment

Sector	Impact Level	Key Concerns
Grain Production	Severe	Nitrogen-intensive crops face yield drops
Oilseeds	High	Phosphate/potash needs may go unmet
Specialty Crops	Medium	Higher input costs squeeze margins
Livestock	Indirect	Feed grain price increases
Biofuels	Medium	Feedstock cost pressure

4. Potential Food Security and Price Implications

The fertiliser shortage will manifest as a potential food crisis within 6-12 months. Supply chains must prepare for significant disruptions in agricultural commodity markets.

Projected Impact Timeline

Q3 2025

- Fertiliser spot shortages in import-dependent regions
- Planting decisions affected in Southern Hemisphere
- Initial food price increases (5-10%)

Q4 2025 - Q1 2026

- Reduced fertiliser application rates globally
- Northern Hemisphere planting compromised
- Food prices rise 10-20% above baseline

Q2-Q3 2026

- Harvest shortfalls become apparent
- Potential export restrictions by major producers
- Food security crisis in vulnerable nations

Critical Commodities at Risk

High Risk:

- Wheat – Heavy nitrogen requirement, staple food
- Corn/Maize – Key for food and feed
- Rice – Asian staple, politically sensitive

Medium Risk:

- Soybeans – More resilient but still affected
- Sugar – Multiple nutrient needs
- Coffee/Cocoa – Cash crop regions lack alternatives

5. Risk Scenarios and Strategic Planning

Three scenarios guide our planning horizon, each requiring different supply chain strategies.

Scenario	Probability	Duration	Price Impact	Strategic Response
Quick Resolution	Best Case (low probability)	2-3 months	+15-25%	Maintain inventory, spot purchases
Prolonged Conflict	Most Likely (high probability)	6-12 months	+25-50%	Diversify suppliers, long-term contracts
Regional Escalation	Worst Case (low to medium probability)	12+ months	+50-100% to ?	Alternative sourcing, demand reduction

Early Warning Indicators

Monitor the following metrics for supply chain planning:

- Natural gas prices
- Strait of Hormuz shipping volumes
- Fertiliser plant operating rates
- Government export restrictions
- Crop planting progress reports

Conclusions and Action Items

The Middle East conflict has exposed critical vulnerabilities in global food systems. While the immediate effect centers on fertiliser availability, the ripple effects will impact food prices, security, and geopolitical stability through 2026.

This situation remains highly fluid. Updates to strategies and assessments should be conducted weekly as new information emerges.