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June 24, 2025 Prewave

# 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

# **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

**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

# 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

#### 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

## **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

#### **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

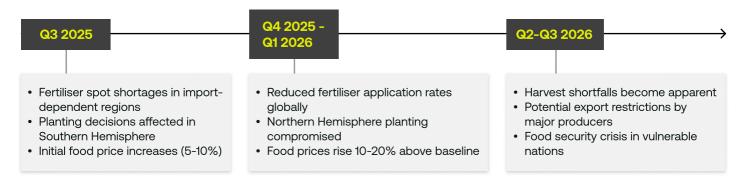
# Regional Risk Assessment

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**



#### **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.