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Middle East Conflict Disrupts Fertilizer Supply chain, Threatening Global Agriculture

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Global Agriculture Under Pressure as Fertilizer Costs Surge Amid Conflict

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The escalation of conflict in the Middle East has triggered a surge in fertilizer prices, leaving farmers worldwide scrambling to secure supplies as the critical spring planting season approaches. The closure of the Strait of Hormuz, a vital shipping route, has disrupted the flow of fertilizers and fuel, compounding existing challenges in global agriculture.

The ongoing conflict in the Middle East threatens global food security by disrupting the supply of nitrogen fertilizers, which are crucial for producing half the world's food. The Persian Gulf, a key source of these fertilizers, faces challenges in delivery due to the shutdown of the Strait of Hormuz, leading to surging prices for fertilizers and related chemicals. The Strait of Hormuz, through which one-third of global fertilizer trade and 20% of export fuels pass, has become a chokepoint due to the conflict. Fertilizer plants in the region have shut down, and shipping routes have been severely disrupted.

This could force farmers to reduce usage, lowering food supply and affordability. The situation highlights vulnerabilities from global interdependence, similar to the grain shortages caused by the Russia-Ukraine war. In addition, this has sent prices soaring, with ureaâ??a key nitrogen-based fertilizerâ??experiencing sharp increases. In the United States, prices jumped from $516 to $683 per metric ton within days at the New Orleans import hub, the highest levels since late 2022. Analysts warn that prolonged disruptions could push prices even higher, potentially matching the peaks seen during the Russia-Ukraine war.

A Critical Moment for Global Farmers

The timing of the conflict could not be worse. Farmers in the Northern Hemisphere are preparing to fertilize their fields, while those in the Southern Hemisphere are readying for winter crop planting. Many were already grappling with low crop prices and high input costs. Now, the added pressure of fertilizer shortages and skyrocketing prices has darkened the outlook for the

agricultural sector. The crisis comes at a critical time for Northern Hemisphere farmers preparing for spring planting, with American agriculture particularly strained due to earlier tariff-related fertilizer cost increases and limited global supply of urea despite recent tariff exemptions.

The conflict in the Middle East could severely impact fertilizer supply, as five key exportersâ??Iran, Saudi Arabia, Qatar, UAE, and Bahrainâ??rely on the Strait of Hormuz to export over one-third of global urea, nearly one-fourth of ammonia, and a significant share of phosphate fertilizers. This disruption could surpass the effects of the Russia-Ukraine conflict, which already drove up fertilizer prices and reduced harvests.

Farmers are echoing the frustration worldwide, especially growers who rely on imported fertilizers and diesel are facing tough decisions. Some are considering reducing fertilizer application rates or switching to less nutrient-intensive crops like soybeans instead of corn, which requires high nitrogen levels.

Production Disruptions Amplify Shortages

The Middle East, a significant hub for fertilizer production, has seen production cuts due to the conflict. Qatar Energy, operator of the worldâ??s largest single-site urea plant, halted production after losing its natural gas feedstock following attacks on LNG facilities. Similarly, sulphur outputâ??a critical component for phosphate fertilizersâ??has been reduced across the region. The Middle East, a significant hub for fertilizer production, has seen production cuts due to the conflict. Qatar Energy, operator of the worldâ??s largest single-site urea plant, halted production after losing its natural gas feedstock following attacks on LNG facilities. Similarly, sulphur outputâ??a critical component for phosphate fertilizersâ??has been reduced across the region.

India is heavily reliant on Middle Eastern suppliers for 40% of its urea and phosphate fertilizers, but alternative sources like China are limited due to its export restrictions. Fertilizer prices have surged by 37% in markets like Egypt, and prolonged Gulf disruptions could lead to price spikes similar to those after the Russia-Ukraine war. This could force governments in South Asia and sub-Saharan Africa to subsidize crops, increasing debt burdens and food prices.

Global Market Tensions

Even before the conflict, the fertilizer market was under strain. **China**, a major producer, had restricted exports to prioritize domestic needs, while European producers cut output due to high energy costs after losing access to cheap Russian gas. These pre-existing challenges, combined with the Middle East turmoil, have created a perfect storm.

"The global fertilizer market was already tight, and this conflict has made it worse," said StoneX analyst Josh Linville. "Weâ??ve lost a significant chunk of supply, and the ripple effects are being felt everywhere."

Countries like **Indonesia** and **Australia**, heavily reliant on imported fertilizers, are also bracing for shortages. In Europe, Polandâ??s state-run fertilizer producer temporarily stopped taking orders, citing inflated production costs due to surging gas prices.

Fertilizers traded in U.S. dollars have become more expensive in local currencies due to the dollar's strength, particularly impacting African farmers in 2023. Higher fertilizer prices could reduce yields, raise food costs, and increase malnutrition in poor countries.

Farmers Face Tough Choices

The uncertainty has prompted farmers to rethink their strategies. Small-scale farmers, particularly in the global south, are at greater risk. Many lack the resources to stockpile fertilizer or switch crops, leaving them vulnerable to price spikes. This could impact the production of crops like palm oil, where smallholders contribute significantly to output. Reduced fertilization could lower yields within months, further straining food supply chains.

Sulfur, a key ingredient for phosphate fertilizers and metals, is largely stuck in the Gulf due to the Strait of Hormuz disruption, with nearly half of global supply affected. China and Indonesia rely heavily on Gulf sulfur for fertilizers and nickel production, while African agriculture also depends on it. Pre-existing low stocks and high prices have worsened the situation, with Morocco particularly vulnerable as a major user of sulfur for phosphate fertilizer production.

Broader Implications

While global grain reserves currently provide a buffer against immediate food shortages, prolonged disruptions could lead to higher food prices and inflationary pressures. Consumers, particularly in poorer countries, may face the brunt of these

challenges.

fertilizer trader are predicting that, if yields go down because farmers canâ??t afford fertilizer, there will be less food on the market. This could lead to inflationary shocks that hit consumers months down the line.

As the situation unfolds, the agricultural sector remains on edge, with farmers and policymakers alike hoping for a swift resolution to prevent further destabilization of global food systems.