The Hidden Cost of Conflict: What It Means for Agrifood

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Most procurement teams are watching commodity indices. Very few are watching fertiliser. That is where the miss often happens.

To many food manufacturers, distributors and hospitality operators, fertiliser can feel one step too far upstream to worry about. It sits closer to the farm than the factory. Closer to the field than the finance meeting. Closer to the grower than the restaurant menu.

But in agrifood, pressure rarely stays where it starts and a delay in fertiliser supply does not just affect farmers. FAO says disruption to the Strait of Hormuz is creating interconnected shocks across energy, fertiliser and agrifood systems.

As ERA Group consultant Gregory Brown put it: “Fertiliser prices don’t just affect grain. They ripple through the whole industry. Corn and soy affect livestock. Livestock affects meat prices. It cascades all the way through the food supply chain.”

The Iran conflict may appear, at first glance, to be a geopolitical issue. Important and concerning, but perhaps distant from day-to-day procurement decisions. For agrifood leaders, it may be more immediate than it looks. Not because anyone can predict exactly what happens next, but because food markets often move before the impact becomes obvious.

The Fertiliser Blind Spot

In agrifood, cost pressure rarely announces itself neatly.

- **A distributor** may see it through availability concerns.
- **A restaurant group** may feel it when protein, bakery, dairy or prepared food costs start pushing against menu economics.
- **A procurement team** may notice it when contract cover expires, but the market has already moved.

The pressure may feel sudden, but it often started much earlier. Fertiliser is one of those early signals. It is not always the first thing on a procurement dashboard. Teams are naturally focused on the categories they buy directly such as ingredients, oils, proteins, packaging, freight, energy, labour and services.

But fertiliser helps shape what the market will have available to buy in the first place.

It influences planting decisions, crop performance, farmer confidence and yield. And because fertiliser is tied to energy, shipping and global supply routes, even limited disruption can matter if it happens at the wrong moment.

In some categories, a delay can be caught up later. In farming, the season does not wait.

Why Timing Matters

Fertiliser is not something farmers can simply delay and apply whenever conditions improve.

There are windows in the agricultural calendar where decisions have to be made. Inputs must be sourced, transported, paid for and applied. If the timing slips, the potential impact on the crop may already be set.

That is why the issue is not only whether fertiliser becomes unavailable. It is whether uncertainty arrives at the wrong moment.

- A shipment delay.
- A short-term shortage.
- A sudden energy spike.
- A rise in freight cost.
- A supplier becoming more cautious.

That is what procurement teams can miss.

Supplier quotes may not move this week, but if the crop has already been affected, the pressure can surface later with far less room to manoeuvre.

FAO projections suggest global fertiliser prices could average 15–20% higher in the first half of 2026 if the crisis persists.

ERA consultant Tony Davies captured the commercial reality with a striking example from a previous market shock: ***"I remember seeing a story about a farmer selling his fertiliser because it was worth more than the crop he would grow. That tells you how quickly the economics can flip."***

When input costs move sharply, the decisions made on the ground can reshape the market months later.

Why Middle East Disruption Matters

A significant share of global fertiliser trade is exposed to the Strait of Hormuz, with nitrogen products such as urea and ammonia particularly sensitive to disruption in the Gulf region. IFPRI has estimated that up to 30% of global fertiliser trade passed through the Strait of Hormuz in 2024.

That does not mean agrifood businesses should assume the worst. The more practical point is "supply chains do not need a full breakdown to create commercial consequences. They only need friction."

In another category, that might be manageable but in fertiliser, timing compresses everything. A late input is not just inconvenient - it can affect the crop. Once that window passes, the market cannot simply rewind. That is why the risk is not only geopolitical, but operational.

For leaders, the better question is not, "Can we predict what happens next?"

It is: ***"Where would our business be exposed if upstream pressure arrives later than expected, but faster than we can respond?"***

The Ripple Effect

Fertiliser risk does not stay at the farm gate - it moves through the chain. This is where the issue becomes relevant to a much wider group of businesses than growers alone.

1. Fertiliser uncertainty changes farmer behaviour

When fertiliser becomes more expensive, delayed or uncertain, farmers make decisions quickly. They may use less, change what they plant, move away from higher-input crops or reduce their exposure to risk.

2. Lower yields tighten crop balances

If yields underperform, grain and oilseed markets can become tighter. Corn, soy, wheat and other key crops may all be affected depending on region, input intensity and planting choices.

This is where the issue begins to move closer to the food manufacturer. The original risk may have been fertiliser, but the business impact may arrive through ingredient availability, supplier pricing, contract flexibility or allocation.

3. Corn and soy move into livestock economics

Corn and soy are not just ingredients. They are also feed. When feed costs rise, livestock economics change which can influence meat, poultry, dairy and egg markets. The pressure may take time to travel, but it can eventually appear in supplier negotiations and product pricing.

For businesses buying protein, dairy or processed food, upstream fertiliser disruption can become a very real margin issue.

4. Food manufacturers lose flexibility

For food manufacturers, the impact can arrive in several ways. Suppliers may shorten quote windows and substitution options may become more expensive at the same time.

When markets tighten, procurement teams often lose the time and flexibility they need to make better decisions.

5. Hospitality concerns

For restaurants, hospitality groups and foodservice operators, fertiliser can feel like someone else's problem. But the impact can arrive through distributors, protein suppliers, dairy suppliers, bakery suppliers, fresh produce markets and prepared food providers.

Gregory Brown added: *"If you're a restaurateur, fertiliser feels like something that happens out there somewhere. But it hits you when your food distributors come back with higher prices. Then it affects your menu, your margins and your customer experience."*

Where Procurement Teams Get Caught

The challenge with this kind of risk is that it often becomes visible too late. By the time prices move, supplier terms tighten or availability changes, the options may already be limited. This is why cost intelligence matters.

Not because it predicts every market movement, but because it helps leaders see exposure earlier and act with more confidence. It helps answer the questions that matter:

- ✓ Where are we exposed?
- ✓ Which ingredients are connected?
- ✓ Which suppliers are vulnerable?
- ✓ How much cover do we have?
- ✓ Where do we still have flexibility?
- ✓ What assumptions are we relying on?

These are the questions worth asking before pressure reaches the P&L.

But the real risk is not always confined to the category where the disruption begins. In agrifood, one pressure point can create a downstream ripple effect, touching multiple suppliers, cost categories and operational decisions before the full impact is understood.

As Tony Davies put it: *"By the time they get to the eighth touchpoint, they understand it's not just ingredients. It's freight. It's packaging. It's the whole journey."*

That is exactly where ERA Group can help.

Where ERA Group Can Help

ERA Group helps agrifood businesses look beyond the obvious cost line. We work with organisations to bring the entire picture together. We help businesses review supplier arrangements, benchmark pricing, assess category exposure, challenge assumptions and identify opportunities to protect margin.

In agrifood, that can mean looking at:

- Ingredient and raw material exposure
- Supplier terms and contract structures
- Freight and logistics
- Packaging
- Energy
- Facilities and services
- Labour-related cost categories
- Distributor and foodservice supply arrangements
- Inventory and cover decisions
- Supplier resilience and alternative sourcing
- Waste, composting and recycling costs
- Other overheads like IT, telecom, uniforms and payroll processing fees

The value is not only in finding savings. It is in helping leadership teams understand where pressure could surface next, where flexibility still exists, and where early action could protect margin later.

Because in volatile markets, the best commercial decisions are rarely made at the moment of maximum pressure. They are made before the pressure is fully visible.

Are you looking far enough upstream to see the pressure before it reaches your quotes?

Talk to ERA Group

ERA Group can help you understand where risk may surface next.

We work with agrifood organisations to review exposure, challenge supplier assumptions, assess cost categories and identify practical steps to protect margin before pressure builds.

If your business depends on ingredients, food manufacturing, distribution, hospitality or foodservice supply chains, now is the time to ask: Where are we exposed? Where do we still have options? What should we be doing before the market tells us it is too late?

Talk to ERA Group about how we can help you stay one step ahead.

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