



COMBINED GRAIN SA AND FERTASA LETTER TO FERTILIZER COMPANIES AND TO FARMERS IN LIGHT OF THE CONFLICT IN THE MIDDLE EAST AND IMPACT ON FERTILIZER PRICES

Dear Grain Producer and FERTASA Member,

The current geopolitical developments in the Middle East, particularly the recent conflict involving Iran, have introduced significant uncertainty into global agricultural input markets. As an industry, it is important that we respond proactively to mitigate risks and protect farm profitability. The conflict has already had a noticeable impact on global energy markets. International oil prices (Brent crude) have risen sharply, in some instances exceeding \$100 per barrel, with further volatility expected depending on the duration and severity of disruptions to key shipping routes such as the Strait of Hormuz.

Given the current turmoil in the Middle East, global energy markets have experienced significant volatility, with Brent crude oil prices rising sharply. This has already placed upward pressure on nitrogen fertilizer prices internationally. As partners within the same agricultural value chain, we have a shared responsibility to support sustainable production and protect primary producers from additional strain caused by short-term market shocks.

This has direct consequences for South African producers:

- Higher diesel prices are expected, increasing the cost of planting, harvesting, and transport.
- Fertiliser prices are under upward pressure, as the Middle East is a key supplier of nitrogen, phosphate and ammonia products. Disruptions in this region are already affecting availability and pricing globally.
- Increased volatility in input markets, making forward planning more complex.
- Exchange rate pressure, which may further inflate imported input costs.

Africa, and South Africa in particular, remain highly exposed due to reliance on imported fuel and fertiliser, making cost management and planning even more critical in the current environment.

Recommended Actions for Producers:

In light of these developments, Grain SA and FERTASA encourages producers to consider the following:

1. Secure Input Requirements Early

Where possible, lock in fertiliser and fuel requirements to reduce exposure to further price increases and potential supply disruptions.

2. Review Fertiliser Strategies

- Re-evaluate application rates based on realistic yield potential.
- Conduct soil analysis to optimise nutrient use efficiency.
- Consider split applications or alternative nutrient sources where feasible.
- Consider liming to set your pH in the soil right first, before considering fertiliser application.
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For detailed recommended Action with rising fertilizer and other input costs:

<https://www.fertasa.co.za/wp-content/uploads/2022/10/Recommended-Action-with-risiling-fertilizer-prices-PRESS-RELEASE.pdf>

3. Improve Fuel Efficiency

- Optimise machinery use and reduce unnecessary field operations.
- Ensure equipment is properly maintained to reduce fuel consumption.

4. Strengthen Financial Planning

- Update enterprise budgets to reflect higher input costs.
- Reassess break-even prices and marketing strategies.
- Engage with financial advisors to manage cash flow and risk.

5. Consider Risk Management Tools

- Evaluate hedging or forward pricing opportunities where available.
- Diversify cropping plans if appropriate to spread risk.

6. Monitor Markets Closely

- The situation remains fluid. Producers are encouraged to stay informed on developments in oil, fertiliser, and exchange rate markets, as conditions may change rapidly.

Concluding Remarks

While the current environment presents clear challenges, proactive management and informed decision-making can significantly reduce the impact on farm profitability. Grain

SA and FERTASA will continue to monitor the situation closely and provide updated guidance where necessary.

We remain committed to supporting you during this period and encourage producers to reach out should further assistance or information be required.

Yours sincerely,

Grain SA/FERTASA