

Global shock, local crisis

Sustaining rural livelihoods through adaptive practices

The conflict in the Middle East has created severe disruptions for small-scale producers in countries around the world.

The crisis has already caused supply-side shocks to fertilizer and food production and demand-side shocks to purchasing power from fuel and food inflation. Although these operate on different timescales and affect different populations, taken together they lead to global food insecurity.

By Alvaro Lario, President, IFAD

The abrupt halt in fertilizer and fuel shipments through the Strait of Hormuz and the Bab el-Mandeb has already impacted farmers and small-scale producers around the world. The uncertainty and complexity of the crisis, and the speed with which it evolved, has brought the broader systemic risks and vulnerabilities of the global food system back into sharp focus. The timing of this crisis could not have been worse as between March and June, farmers across Africa, Asia and parts of Latin America enter key planting seasons.

The bottom line is that the crisis demonstrates that we need new ways to organize our food systems that do not depend entirely on imported fertilizer and fuel, by building resilience at the first mile. This all starts with listening to the perspectives of the rural communities in which IFAD operates.

KEY FACTS

Fertilizer prices have doubled in some contexts, rising from around US\$350/mt to over US\$700/mt within weeks.

Up to 54 per cent of fertilizers in some countries are imported from Gulf sources, exposing farmers to severe supply disruptions.

Fuel prices have increased by up to 30 per cent for small-scale producers, directly raising production and transport costs.

What the crisis looks like at the farm gate

IFAD's presence on the ground, working with local producers and small-scale agricultural businesses, offers a ground-level view of how this crisis is already being absorbed where it hurts most. What that

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evidence consistently shows is that food crises are not triggered at the farm, but they land there. The following examples illustrate what that means in practice.

In Sri Lanka, the conflict triggered an energy crisis that is crippling the current paddy harvesting season. A strict fuel quota system using QR codes is in place, and many pumps have shut down entirely. Farmers are unable to power irrigation pumps or distribute machinery. Roughly 16 per cent of the population¹ is already food-insecure. Local urea prices have moved from around US\$350/mt pre-conflict to US\$700/mt within weeks, and are still rising.²

Livestock farmers are also being negatively affected. In Kenya, government figures indicate that meat exports to the Middle East worth roughly US\$2.3 million per week are currently at risk, with Ramadan shipments to Gulf markets falling to well below 5 per cent of expected volumes. The United Arab Emirates alone accounts for an estimated 40-60 per cent of Kenya's meat exports.

However, the crisis also affects domestic markets. Exporters unable to move their products abroad are diverting meat into local channels at lower prices, creating downward pressure on farmgate prices, slowing livestock offtake and straining trader networks.

One example can be found in the KeLCoP project³ in which IFAD invests. In this project, the participants sell their livestock primarily in local and domestic markets. The potentially sharp drops in export volumes may distort price formation across the entire system.

1 <https://www.news.lk/current-affairs/sri-lankas-food-insecurity-declines-to-16-wfp>
2 <https://www.argusmedia.com/en/news-and-insights/latest-market-news/2798280-southeast-asian-urea-prices-surge-on-us-iran-war>
3 <https://www.ifad.org/en/w/projects/2000002339#>

In Indonesia, the picture is mixed but the pressures are real. As a major domestic producer of urea, subsidized fertilizer prices for small-scale producers remain capped by government policy, thereby insulating rice and corn farmers from the full force of the global price surge. Meanwhile, urea prices elsewhere in Southeast Asia have surged by over 40 per cent⁴ since the escalation. Non-subsidized fuel prices rose by 4 per cent to 8 per cent in early March, which increased the cost of operating tractors and transport. Small-scale fishers have seen fuel costs rise by 30 per cent, directly reducing household income and increasing the local price of protein.

Lebanon is among the countries most directly affected by the current regional war across agriculture, food access and energy costs at the same time.⁵ The 2025 cereal harvest fell to a record low of 90,000 mt, about 50 per cent below the five-year average, due not only to poor rainfall but also to conflict-driven damage to agricultural infrastructure and high input costs, including seeds, fertilizers and fuel. Since the start of the war, fuel prices have increased 19.7 per cent for gasoline, 19.9 per cent for gas and 29.4 per cent for diesel.

The conflict has worsened Sudan's existing agricultural and food crisis through higher import, fuel and fertilizer costs. It is the African country most exposed to Gulf fertilizer disruption, in that it imports 54 per cent of the fertilizers that it uses in its irrigated wheat and cotton from Gulf sources.⁶ Moreover, Sudan imports around 80 per cent of its wheat, so higher world wheat and fuel prices are likely to pass through quickly to domestic food access.⁷

In each case, the same pattern emerges: external shocks arrive at the global level and are absorbed at the local and household level by rural people and farmers with the least capacity to bear them. The current situation is compounding existing structural vulnerabilities.

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4 <https://english.news.cn/asiapacific/20260325/2a6f435ac15544af854315715b66cd1a/c.html>
5 <https://www.fao.org/giews/countrybrief/country.jsp?code=LBN>
6 <https://openknowledge.fao.org/items/67a1fe95-98f2-4f23-8be7-99491bfd8343>
7 <https://www.wfp.org/news/wfp-projects-food-insecurity-could-reach-record-levels-result-middle-east-escalation?>

IFAD's proven solutions

IFAD's experience during previous crises highlights a set of activities and operational approaches that have proven effective in fragile and crisis-affected settings. These approaches are pragmatic responses to constraints related to insecurity, market disruption, limited institutional capacity and restrictive social norms. While context-specific, they demonstrate how flexible delivery mechanisms, decentralized partnerships and adaptive implementation modalities can enhance effectiveness under crisis conditions.

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In Malawi in 2022, through the Sustainable Agricultural Production Programme Phase II, the Crisis Response Initiative supported the production and use of Mbeya hybrid fertilizer, a locally blended input combining inorganic fertilizer with organic materials.⁸ Through targeted training and field demonstrations, farmers adopted the fertilizer as a cost-effective alternative to imported inputs. A total of 4,311 bags were produced, with farmers reporting improved yields and greater crop tolerance to dry spells. The approach also enabled project participants to extend fertilizer coverage by blending available inputs locally.

One such approach is the use of locally adapted fertilizer solutions to address input shortages. When access to imported fertilizers has been constrained by price volatility, foreign

Similarly, in Eritrea, IFAD support enabled the production of liquid organic fertilizer derived from seaweed and fish waste.⁹ The fertilizer was rapidly adopted by farmers, including beyond direct project participants, alongside improved agronomic practices that reduced fertilizer and seed use while increasing yields. The intervention also supported the commercialization of organic fertilizer through public-private arrangements, creating a foundation for scaling up through the anchor project.

In parallel, IFAD is mitigating these risks through financing for agroecological approaches, improved soil health and

fertilizer use efficiency.

This includes digital platforms that integrate soil testing and soil maps to provide tailored advice on sustainable fertilizer application while linking small-scale producers to input suppliers. A notable

example is IFAD's digital agriculture partnership with NEC corporation, which deploys tools such as CropScope and secure digital platforms to improve precision input management and support climate-resilient farm decision-making.

These solutions show that IFAD's value lies in helping farmers and small-scale producers to try new ways of growing food, without the risk that they go hungry.

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8 <https://www.ifad.org/en/w/publications/highlights-from-the-crisis-response-initiative-in-malawi>

9 <https://www.ifad.org/en/w/publications/highlights-from-the-crisis-response-initiative-in-eritrea>

Conclusion

This conflict has highlighted how vulnerable the global food system is to external shocks. Building resilience in the first mile of food value chains is key to mitigating the impacts of similar shocks in the future. Investing in small-scale food producers and rural entrepreneurs strengthens stability and drives economic growth and jobs. Resilient rural economies are a geostrategic imperative for stable global food value chains in an era of geopolitical, climate and environmental volatility.

What this crisis has shown is that supply chain resilience begins at the source and ignoring the first mile increases national economic risk. Limited strategic reserves and first mile storage infrastructure allow external shocks to be transmitted rapidly to domestic markets.

This is not the first, nor will it be the last crisis that severely impacts food systems around the world. What we have learned in responding to such crises¹⁰ is that it is crucial to keep building resilience into the system and planning for further such contingencies, if we are not to lose the development gains that have already accrued to small-scale producers and the local markets in which they operate.¹¹ Precisely because these crises are recurrent and external shocks are inevitable, the best contribution we can make is to help small-scale producers become more resilient over time.

In response, IFAD is reactivating its Crisis Response Initiative to deliver rapid, targeted support that protects rural livelihoods and stabilizes food production. Concurrently, IFAD is activating the Response to Emergency and Disaster (RED) mechanism within ongoing programmes to enable faster disbursements, procurement and operational reprioritization. Together, these instruments allow IFAD to meet immediate crisis needs while safeguarding longer-term development outcomes.

Every crisis of this kind follows the same pattern: the shock originates in global markets, but it is then absorbed by the people least able to bear it – rural people and small-scale producers with no buffer stocks, no insurance and limited alternatives. Investing in rural resilience before the next shock arrives should not be a development priority competing with others. It is the precondition for preserving the gains we have already made, and the only way to ensure they survive the next crisis...and the one after that. IFAD has a distinct capability in supporting governments to make these investments, before crises reach markets – and before the markets reach breaking point.

Investing in rural resilience before the next shock arrives is the pre-condition for preserving development gains and preventing future crises.

¹⁰ <https://www.ifad.org/en/initiatives/rural-poor-stimulus-facility>

¹¹ <https://www.ifad.org/en/initiatives/crisis-response-initiative>



Investing in rural people

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