



Bwyd a Diod Cymru
Food & Drink Wales

Climate Resilience Service Food and Drink Climate and Supply Chain Risks Quarterly Monitor

January – June 2026

Introduction	4
Summary	5
Climate Impacts	6
Wales and UK	6
Europe	7
North and South America	8
Global Summary	8
Our Warming Climate	9
Why this Matters for Welsh Food and Drink Manufacturers	10
US-Israel-Iran War	11
Fertiliser Impacts	11
Agricultural Impacts	13
Why this Matters for Welsh Food and Drink Manufacturers	14
Global Commodities	14
Oils and Meals	14
Meat	17
Beverages and Sugar	18
Cereals	20
Fertilisers	21
Why this Matters for Welsh Food and Drink Manufacturers	23
UK Commodities and Input Prices	23
Crops	23
Fertilisers	24
Dairy	24
UK Fuel Prices	25
Energy	26
Why this Matters for Welsh Food and Drink Manufacturers	26
Logistics	27
Why this Matters for Welsh Food and Drink Manufacturers	28
Export Restrictions	29
Why this Matters for Welsh Food and Drink Manufacturers	29
Food Supply Chains and Import Dependency	30

Why this Matters for Welsh Food and Drink Manufacturers	31
Economy	31
Why this Matters for Welsh Food and Drink Manufacturers	33
Spotlight on El Niño	33
El Niño Consequences for the Food Industry	34
Why this Matters for Welsh Food and Drink Manufacturers	36
Outlook and Considerations	36
Appendix 1 – Methodology	38
Data limitations	38
Sources	38
Appendix 2 – 2025 Import Data based on HMRC UK Trade Information.....	39
Animal protein	39
Carbohydrates.....	40
Fruit and vegetables.....	41
Appendix 3 – Summary of Sustainability and Climate Resilience Services	43
Food Division – Climate related support for Food and Drink businesses.....	43
Other Food Division support programmes for Food and Drink businesses	43
Food Business Accelerator Scheme – grant scheme designed to improve business performance, competitiveness, efficiency.....	43
Other agricultural support programmes	44

Introduction

This report explores the compounding effects of climate-related and other disruptions to the agri-food supply chain. It aims to highlight impacts and consequences to Welsh food and drink manufacturers, supporting supply chain management and forecasting decisions. This report covers the period 1st January 2026 to 30th June 2026. The infographic on the next page summarises six major risks and their business impacts, import dependencies, commodity price trends, and possible El Niño impacts.

Future reports will be published quarterly. Data and information contained in this report is accurate as of 5th July 2026, unless otherwise stated.

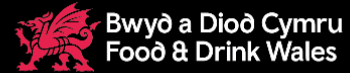
Appendix 1 summarises the methodology, data limitations and sources used for the report.

Additional note:

Since preparing this report, tensions between US and Iran have escalated again. Shipping through the Strait of Hormuz has fallen back and the prices of Brent Crude Oil and European Natural Gas are increasing.

Summary

FOOD & DRINK CLIMATE & SUPPLY CHAIN RISKS



January - June 2026

SIX MAJOR RISKS

**CLIMATE**

- Record UK & European heatwaves
- Drought & flooding
- Extreme weather disrupts production

**GLOBAL CONFLICT**

- US-Israel-Iran tensions disrupt energy & shipping routes
- Fertiliser supply and price risk

**LOGISTICS**

- Strait of Hormuz disruption
- Long-term Suez Canal disruption
- Higher freight costs & longer lead times

**INCREASING**

Energy costs

Beef

Logistics costs

Lamb

Fertiliser costs

Soybean Oil

**COMMODITIES**

- Price volatility across oils, meals, meat, beverages, cereals, & fertilisers
- Key inputs remain unpredictable

**EXPORT CONTROLS**

- Export restrictions on fertiliser & possibly sugar
- Risk of wider commodity controls

**EL NIÑO**

- High likelihood of strong El Niño developing
- Potential for major global weather impacts
- Adds to supply chain risk

WATCH FOR POSSIBLE EL NIÑO PRICE IMPACTS

Cocoa

Rice

Coffee

Sugar

Maize

IMPORT DEPENDENCY

Some key UK food supply chain countries



Spain



Morocco



Netherlands



USA



Brazil



Argentina

Weather disruption overseas becomes business disruption in Wales

BUSINESS IMPACTS



Higher input costs



Supply shortages



Price volatility



Longer lead times



Cold chain pressure



Cashflow pressure

HELP FOR BUSINESSES



Complete climate resilience self-assessment



Review Climate Adaptation online training resources



Book Climate Resilience leadership workshop via bwyd-food@bic-innovation.com

UK & WALES CLIMATE IMPACTS: JAN - JUNE 2026

 Record heat May & June heatwaves	 Very wet Jan-Feb, drier Apr-Jun	 Much more sunshine in Spring
 Crop stress risk from heat & dry soil	 Livestock heat stress & welfare concerns	 Irrigation demand & water pressure increasing

Climate Impacts

Wales and UK

Early January began with cold, wintry conditions with parts of the UK experiencing snow and ice. Storm Goretti (8th – 9th January) brought damaging winds and snow to some parts of Wales, as well as Cornwall and the Isles of Scilly. Further storms in January (Storm Ingrid and Storm Chandra) brought **heavy rain and strong winds, with flooding in already saturated areas. Rainfall was above average for the UK.**

Southern England, Northern Ireland and Eastern Scotland were particularly wet¹. These wet conditions continued into February. By the end of the month, the UK had provisionally recorded 123% of the long-term average February rainfall. **Wales provisionally recorded its dullest February, whilst the UK had its fourth dullest February on record**². Media reports^{3 4 5} highlighted the impact of the heavy rain and floods in the early part of the year, with **fields of cereal crops under water and livestock having to be moved to higher ground.** Commentary also highlighted the risks of diseases to crops such as brassicas due to a relatively mild winter.

Spring then turned **warmer, sunnier and progressively drier.** The UK was 7.0°C, 1.3°C above average, rainfall close to average at 86.6 mm, and sunshine 21% above average in March. Wales was warmer still, relative to normal, at 7.5°C and 1.5°C above average, with rainfall at 92% of average and sunshine at 118%. In April, UK rainfall fell to 55.0 mm, 77% of average, while sunshine reached 215.2 hours, 139% of average; Wales recorded only 55.5 mm of rain, 63% of average, and 209.5 sunshine hours, 133% of average⁶. **The UK finished May with an unprecedented heat wave. Temperatures were 1.3°C above average, with rainfall at 55.1 mm, 78% of average,** and sunshine 5% above average. Wales recorded 12.4°C, 1.5°C above average, rainfall of 69.9 mm, 80% of average, and sunshine also 5% above average. The Met Office reported that May 2026 was the **joint third warmest May on record for the UK and Wales**, with the UK May temperature record broken twice at Kew Gardens, reaching 35.1°C on 26 May. This raised risks around **crop heat stress, irrigation demand, livestock heat stress, labour productivity and chilled-chain management**, particularly for fresh produce, dairy, meat and temperature-sensitive logistics⁷. **June saw a second heatwave**, following in quick succession after the May heatwave, and a new maximum temperature record for June, with 37.3°C reached in Suffolk. Bute Park in Cardiff recorded 35.9°C on 25th June, setting Wales's new daily maximum temperature record for June⁸.

Agriculture and Horticulture Development Board reported that **prolonged dry weather through April and May placed pressure on both winter and spring crops**, with winter wheat rated good or excellent

¹ [mwr_2026_01_for_print.pdf](#)

² [feb-monthly-weather-report.pdf](#)

³ <https://www.fwi.co.uk/news/weather/persistent-rain-threatens-crops-and-farmers-livelihoods>

⁴ <https://www.farmersguide.co.uk/rural/environmental/farmers-struggle-with-flooding-after-weeks-of-continuous-rainfall/>

⁵ <https://www.channel4.com/news/farmers-worry-for-crops-with-yet-more-rain-in-february>

⁶ <https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2026/england-and-wales-record-one-of-their-warmest-marches-on-record>

⁷ <https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2026/warmest-spring-on-record-for-england-and-wales--third-warmest-for-uk>

⁸ <https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2026/third-consecutive-day-of-a-new-june-temperature-record-with-end-of-heatwave-in-sight>

falling to 64% from 74% a month earlier, winter barley to 62% from 70%, and winter oats to 71% from 81%. AHDB also noted that recent high temperatures increased crop stress, including visible leaf rolling in wheat. Wales appeared relatively better placed than some English regions, with AHDB reporting late-May Welsh winter wheat and spring barley condition at 85% good or excellent, but the **UK-wide supply-chain risk remains elevated because England carries a large share of cereals and fresh produce exposure**⁹.

Europe

Torrential rain in southern **Spain** and **Morocco** disrupted supplies of **soft fruit and salad crops** to the UK. Both countries are critical suppliers of fresh produce to the UK in the winter months. Spain recorded its highest January rainfall since 2001 and flooding **reportedly affected 40,000 hectares of farmland across Spain and Morocco**¹⁰. March was **Europe's second-warmest March on record**¹¹. April was marked by persistent high pressure over western and central Europe, giving drier-than-average conditions across those regions, while easternmost and south-eastern Europe, parts of Spain and Italy, the Maghreb coast and the Caucasus were wetter than average. For food supply chains, this pattern was mixed: good soil moisture supported many winter crops, but waterlogging and flood damage affected some southern and western production areas, while dry conditions began to erode crop biomass and increase irrigation needs in central, northern and eastern Europe¹². Copernicus reported that **May 2026 was the second-warmest May globally, Europe's seventh-warmest May, and part of Europe's third-warmest spring**, with an unusually early and intense heatwave in western Europe late in the month. Large parts of western, central and parts of eastern Europe were drier than average, with lower-than-average river flows across many dry regions¹³.

The EU Joint Research Centre Crop Monitoring Bulletin for May¹⁴ reported **generally favourable crop conditions and mostly average to above-average yield expectations**, but also noted that insufficient April rainfall in central, eastern and northern Europe slowed biomass accumulation, late frosts may have affected rapeseed in parts of central and eastern Europe, and cool, wet conditions delayed spring sowing in south-eastern Europe and Türkiye. These conditions point to **uneven supply-chain risk** rather than a uniform European production shock: cereals remain broadly supported, but rapeseed, spring crops, vegetables and irrigated production should be monitored for regional yield, quality and availability pressures.

(**Note:** The EU Joint Research Centre Crop Monitoring Bulletin for June was not available in time to include in this report.)

⁹ <https://ahdb.org.uk/news/crop-ratings-fall-after-dry-april-and-may>

¹⁰ <https://www.grocerygazette.co.uk/2026/02/26/shortages-supermarket-severe-weather/>

¹¹ <https://climate.copernicus.eu/copernicus-fourth-warmest-march-globally-sea-surface-temperatures-return-near-record-levels>

¹² https://joint-research-centre.ec.europa.eu/jrc-news-and-updates/favourable-crop-conditions-across-europe-2026-04-27_en

¹³ <https://climate.copernicus.eu/climate-bulletin>

¹⁴ https://joint-research-centre.ec.europa.eu/jrc-news-and-updates/fair-outlook-despite-water-stress-2026-05-18_en

North and South America

North America saw a warm, dry start across much of the United States, with the **contiguous US experiencing its driest first three months of any year on record by the end of March¹⁵**, followed by the second-driest January–April period on record and **drought affecting 61.7% of the contiguous US (CONUS) by late April¹⁶**. This dropped to about 58.4% of CONUS in May, with drought persisting over much of the western interior, including the Plains. Extreme to exceptional drought and mid-May freezes have contributed to what could be Nebraska’s largest winter wheat crop failure in decades¹⁷.

Winter wheat conditions in the US Great Plains continued to deteriorate as harvesting began in the south, while **Canadian spring wheat, maize and soybean sowing were slowed by cool, wet conditions¹⁸**. In May, the United States Department of Agriculture projected smaller US wheat supplies, with all-wheat production at 1.561 billion bushels, down 424 million from the previous year, with winter wheat production down 25% and exports forecast lower¹⁹.

Brazil’s maize and soybean harvest was described as favourable - exceptional, with **Argentina’s soybean harvest progressing with overall good yields^{20 21}**. These favourable conditions should help offset some Northern Hemisphere cereal risk through stronger South American maize, soymeal and vegetable-oil availability.

Global Summary

The US National Centers for Environmental Information reported in early June that the January-May **global surface temperature was the fourth warmest on record** and 1.14°C above the 20th century average of 13.1°C²². The organisation further reported that, based on current anomalies, it appears virtually certain that 2026 will be a top 10 warmest year, with a strong likelihood that 2026 will fall within the top 5 warmest years²³.

¹⁵ <https://www.ncei.noaa.gov/news/national-climate-202603>

¹⁶ <https://www.ncei.noaa.gov/news/national-climate-202604>

¹⁷ <https://www.ncei.noaa.gov/access/monitoring/monthly-report/national/202605#ytd-highlights>

¹⁸ <https://www.cropmonitor.org/crop-monitor-for-amis>

¹⁹ <https://www.usda.gov/about-usda/general-information/staff-offices/office-chief-economist/commodity-markets/wasde-report>

²⁰ <https://www.cropmonitor.org/crop-monitor-for-amis>

²¹ <https://www.fao.org/giews/countrybrief/country.jsp?code=BRA>

²² <https://www.ncei.noaa.gov/access/monitoring/monthly-report/global/202605/2026-year-to-date-temperatures-versus-previous-years>

²³ <https://www.ncei.noaa.gov/access/monitoring/monthly-report/global/202605/global-annual-temperature-rankings-outlook>

Our Warming Climate

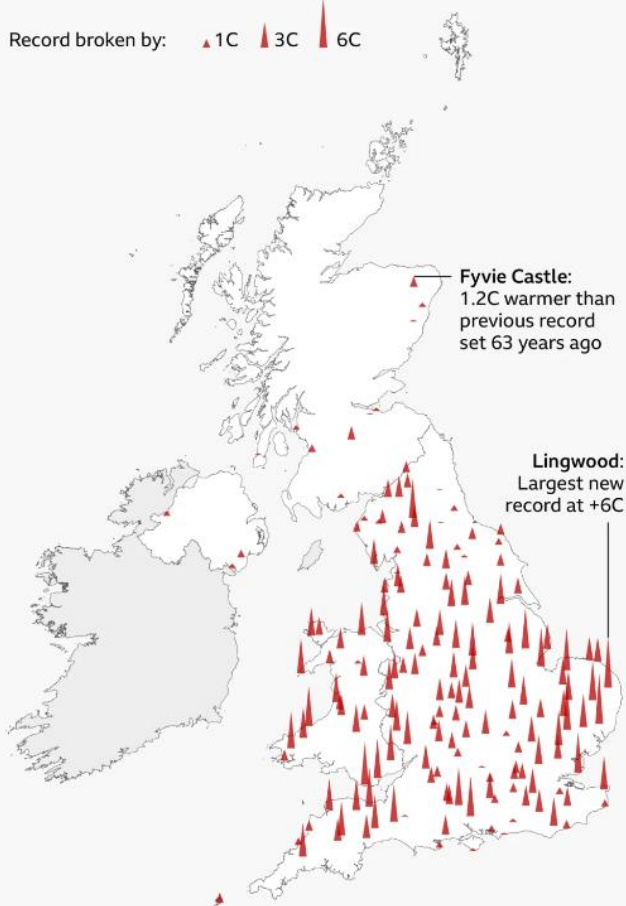
Europe and the UK have just experienced **two record breaking heatwaves**²⁴. The graph on the right shows that the UK average maximum temperatures in May and June were considerably higher than the norm.

Whilst June's heatwave was strongest in Southern England and Wales, over **170 records were broken** across the UK, shown in the map below, with some weather stations registering that records had been broken by 6°C.

More than 170 June records broken across the UK

Increase in June maximum temperature compared with previous June record at individual weather stations

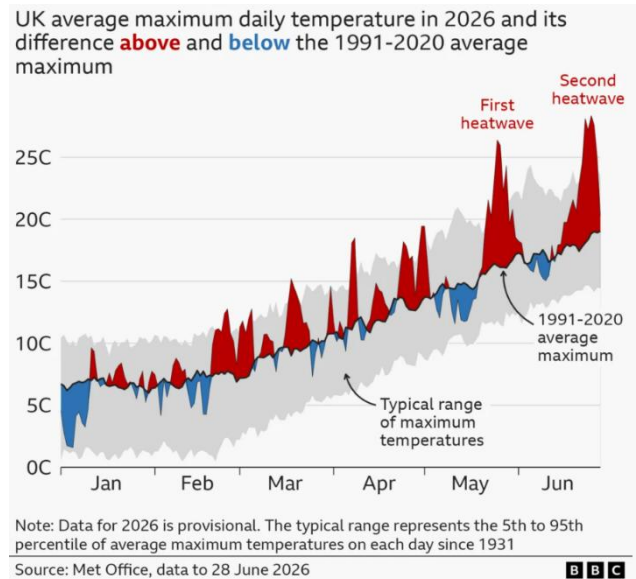
Record broken by: ▲ 1C ▲ 3C ▲ 6C



Note: Data for 2026 is provisional. Only stations with at least 10 years of observations shown

Source: Met Office, data to 30 June 2026

BBC



Note: Data for 2026 is provisional. The typical range represents the 5th to 95th percentile of average maximum temperatures on each day since 1931

Source: Met Office, data to 28 June 2026

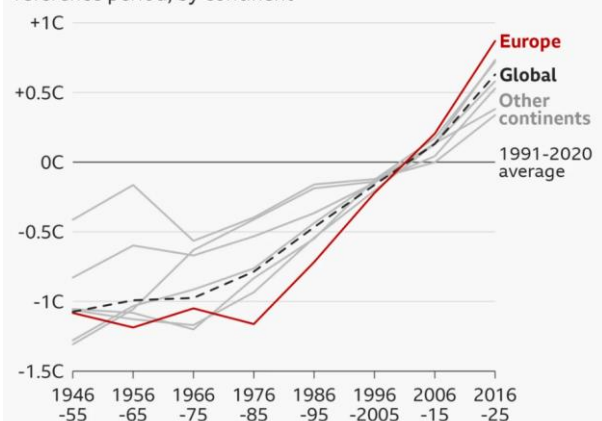
BBC

June's heatwave was made more challenging as it combined humidity and tropical nights, which have been very rare in the UK.

Europe also saw temperatures climbing to above 40°C and records broken. **Europe is the fastest-warming continent**, exceeding the global ten-year average temperature change from 1991-2020, as shown by the graph below.

Europe is the fastest-warming continent

Ten-year average temperature change from 1991-2020 reference period, by continent



Note: Data calculated for land area only. Continents based on IPCC regions: Africa, Asia, Antarctica, Australasia, Central and South America, Europe and North America.

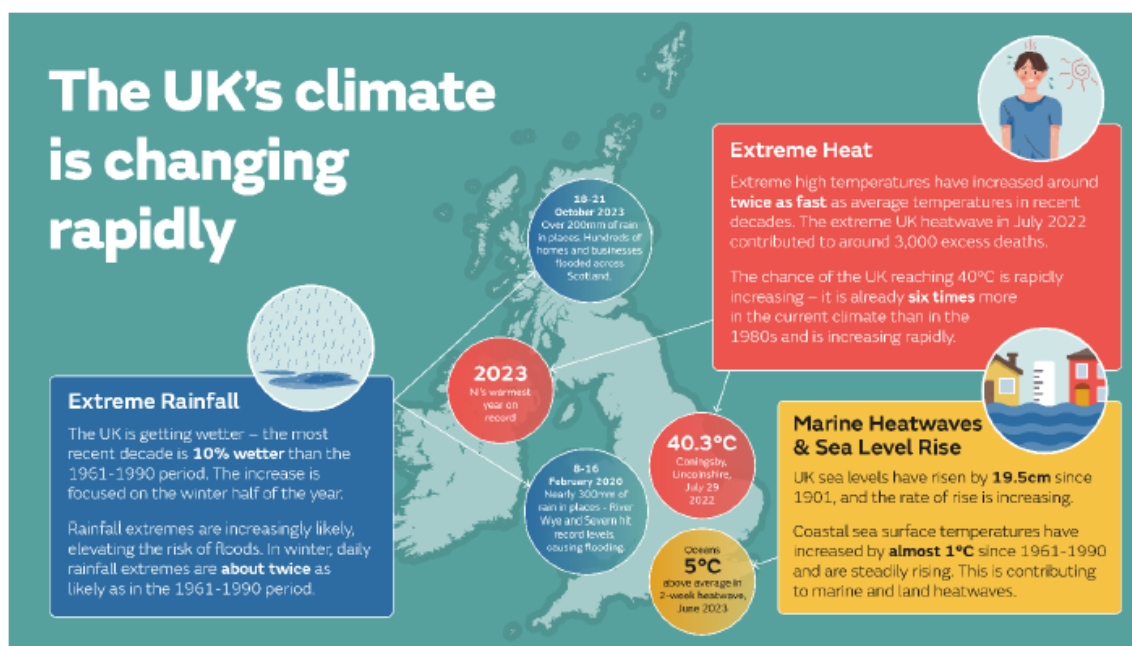
Source: C3S/ECMWF

BBC

Source of graphs & map: BBC News website, 4th July 2026

²⁴ 'Hotter and hotter and hotter' - Europe's new climate in seven charts - BBC News

The Climate Change Committee published its **Fourth Climate Change Risk Assessment – Independent Assessment (CCRA4-IA) in May 2026²⁵**. The report notes that climate risks to the UK are now higher than the previous report, CCRA3-IA. This assessment is “based on new evidence of accelerating changes in climate, evidence of potential increases in exposure and/or vulnerability, and a lack of adaptation progress”. The report also cites the consequences of overseas climate change and the damaging impacts on the UK, particularly noting higher food prices and a lack of products on supermarket shelves relating to disruptions to imports of products and raw materials. The infographic below, taken from CCRA4-IA, highlights three examples of observed changes in the UK’s climate.



Source: Fourth Climate Change Risk Assessment – Independent Assessment (CCRA4-IA)
(<https://www.theccc.org.uk/publication/a-well-adapted-uk/>)

Why this Matters for Welsh Food and Drink Manufacturers

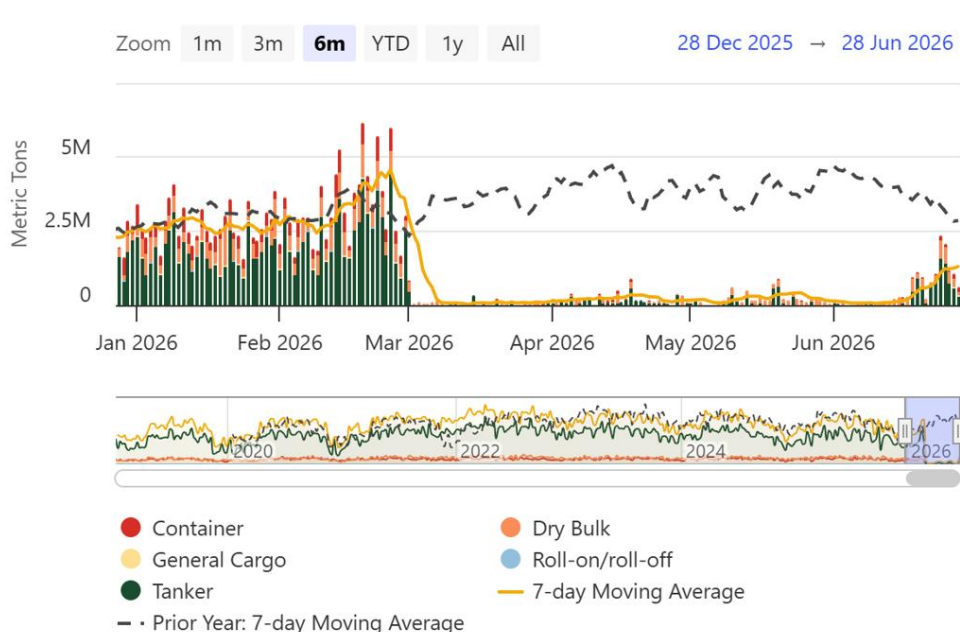
These weather patterns and extremes affect UK and overseas supply chains, potentially causing price increases and constrained supplies. Sowing, growing and harvesting seasons can all be impacted, from waterlogged fields to drought conditions. The recent heatwaves have affected cold chain infrastructure. The Cold Chain Federation published “The Critical Link: A Resilience Strategy for Protecting UK Food Supply Against Growing Threats to the Cold Chain” in June 2026²⁶. This report noted that around 50% of the UK’s cold stores are 20+ years old and not engineered for 40°C+ heat and therefore vulnerable to failure. Failures of chilled storage within a manufacturing business lead to more costs through maintenance, upgrades, insurance premiums and food waste. There are health and wellbeing impacts for people during heatwaves, particularly when combined with the effects of tropical nights which reduces our ability to recover from the heat of the day in the cooler nighttime temperatures. This can impact productivity and present potential health and safety risks for employers.

²⁵ Lowe, J. A., Harrison, M. and Perks, R. J. (2026). CCRA4-IA Technical Report.

²⁶ The Critical Link: A Resilience Strategy for Protecting UK Food Supply Against Growing Threats to the Cold Chain Cold Chain Federation, 2026

US-Israel-Iran War

The outbreak of war resulted in the **largest oil supply loss on record**. The closure of the Strait of Hormuz caused unprecedented disruptions to global commodity supply chains. Prior to the conflict, vessels passing through the Strait accounted for **35% of global seaborne trade in crude oil, 20% of refined petroleum and 20% of liquified natural gas (LNG)**. The graph below shows the immediate curtailment of shipping passing through the Strait of Hormuz at the start of the conflict. The dotted line is the **prior year 7-day moving average**. The yellow line shows the **current 7-day moving average** and the significant gap between the two lines is clear. The peace agreement between the USA and Iran, known as the Memorandum of Understanding, was signed in June with a commitment for further talks to reach a final agreement. The graph shows an increase in the amount of shipping transiting the Strait towards the end of June, but it will be some months before movements return to the pre-war levels.

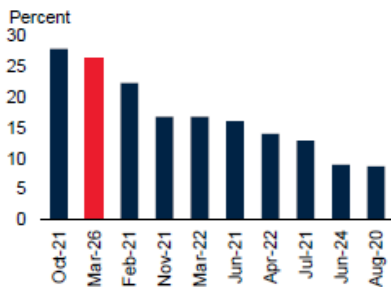


Source: IMF Portwatch, accessed 4th July 2026

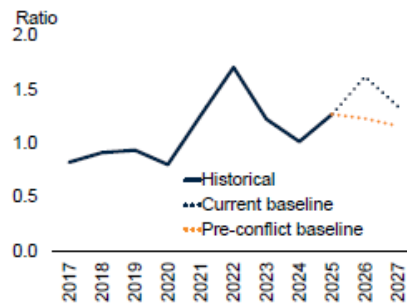
Fertiliser Impacts

The World Bank Group's **fertiliser index** surged to a post-2022 high. The graph on the next page, on the left, shows the largest monthly increases in fertiliser prices over the last decade and demonstrates that March 2026 saw second-largest monthly price increase. The graph below on the right shows the World Bank Group's fertiliser affordability index which is expected to deteriorate this year to the worst levels since 2022. However, this forecast was made in April, and on the assumption that war-related disruptions would **end by end of May and shipping volumes transiting through the Strait gradually return to near pre-war levels by October**). The Strait of Hormuz has remained closed beyond the end of May, meaning the forecast increase is more likely. Higher fertiliser prices could therefore result in diminished crop yields in some regions, threatening food security.

B. Largest monthly increases in fertilizer prices, past decade



B. Fertilizer affordability index



Source: World Bank Commodity Markets Outlook, April 2026

Energy Impacts

The **Brent Oil** graph on the right, taken from the World Bank Commodity Markets Outlook published in April 2026, **clearly shows the price surge** which occurred after the outbreak of the US-Israel-Iran war, and exceeding **\$100 per barrel in March**.

Source: World Bank Commodity Markets Outlook,
April 2026

A. Brent oil price and key events

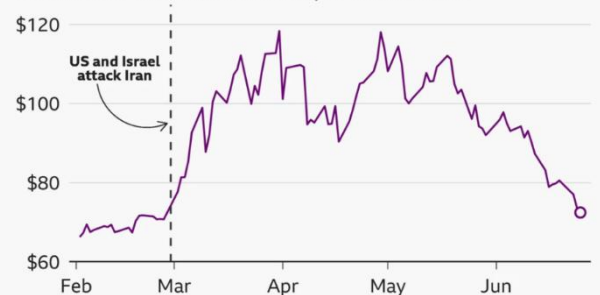


The BBC reported on 25th June 2026 that the oil price has fallen back to pre-Iran war levels²⁷. The graph on the right, taken from the BBC News website, shows the steep increase in price of Brent Oil, dipping in April when the initial cease fire was announced, before rising steeply again amidst ongoing tensions, and then starting to drop from mid-May onwards.

Source: BBC News website, 25th June 2026

Oil price back to pre-war levels

Brent crude futures, US dollars per barrel, 2026



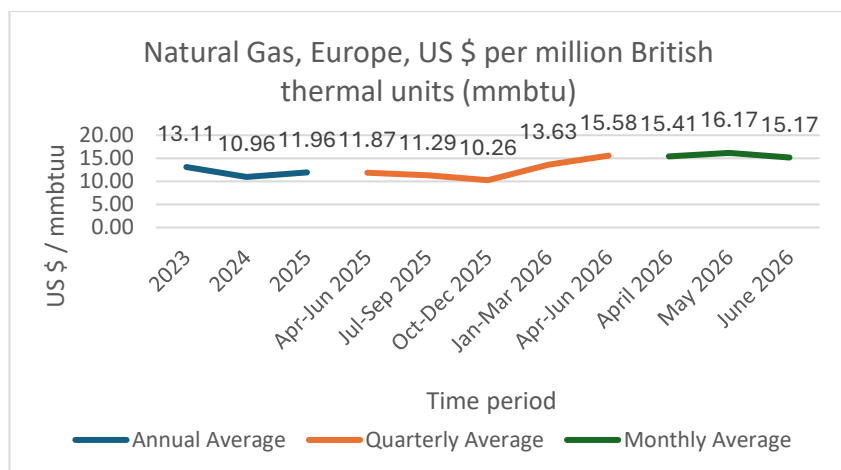
Note: Y-axis does not start at zero

Source: Bloomberg. Last update: 10:00 BST, 25 Jun 2026

BBC

The graph on the next page shows the price rise of **European natural gas**. Long-term damage to Qatar's LNG infrastructure has contributed to increasing prices, along with competition from Asian buyers. Prices remain higher than the annual averages since 2023, but there has been a slight drop since May.

²⁷ Oil price falls to levels not seen since before Iran war - BBC News

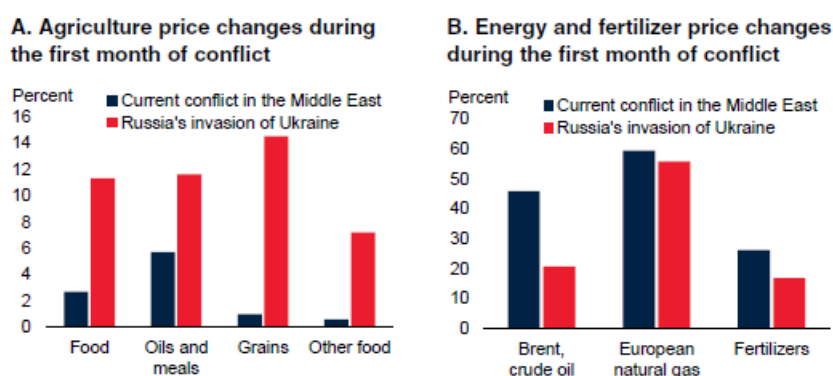


Source: World Bank - Commodities Price Data (The Pink Sheet), July 2, 2026.

Agricultural Impacts

The graphs below and right compare the impacts of the US-Iran war with Russian's invasion of Ukraine.

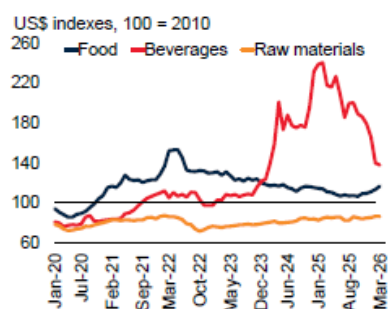
Graph A shows that the price changes across food, oils and meals, grains and other food in the first month of the Middle East conflict were lower than those experienced in the 2022 invasion of Ukraine. However, Graph B that the impacts on Brent crude oil, European natural gas and fertilisers have been more severe as a result of the Middle East War.



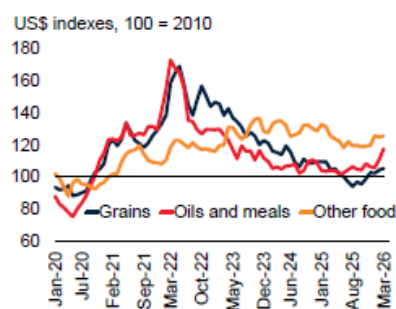
Source: World Bank Commodity Markets Outlook, April 2026

The graphs on the next page from the World Bank Group show the movement in indices across food, drink and raw materials. **Oils and meals increased by 6% (month on month) in March due to higher demand for biofuel feedstocks.** Biofuel mandates have been introduced in countries including Indonesia, Thailand and the USA, adding to competition for crops such as maize.

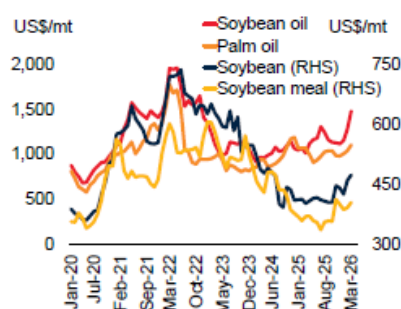
C. Agricultural price indexes



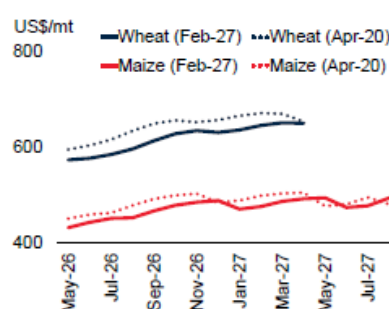
D. Food price indexes



E. Oils and meals price indexes



F. Wheat and maize futures prices



Source: World Bank Commodity Markets Outlook, April 2026

Why this Matters for Welsh Food and Drink Manufacturers

This conflict has disrupted shipping through the Strait of Hormuz, one of the world's most important maritime trade routes for crude oil, liquified natural gas and fertilisers, all key inputs into the agri-food supply chain. The vulnerability of interconnected, complex food supply chains has been exposed, with higher energy, freight and fertiliser costs increasing production costs and contributing to greater price volatility for key commodities, squeezing margins for food and drink manufacturers.

Global Commodities²⁸

Oils and Meals

Data from the World Bank Group Pink Sheet, published on 2nd July 2026²⁹ shows that the price of **palm oil** has dropped to \$1,105/metric ton in June 2026, down from \$1,146/mt in April 2026, but nearly 17% higher than at the end of the second quarter of 2025. The graph on the next page shows that the yearly average price of palm oil is increasing, with a drop over the last two months.

Whilst the prices are lower than the record highs seen in 2022 with the disruption to global vegetable oil prices after Russia's invasion of Ukraine, they reflect increased demand which has driven consumption, making palm oil the world's most widely consumed vegetable oil³⁰. At the same time, government biofuel policies have also increased demand by diverting greater volumes of palm oil into biodiesel

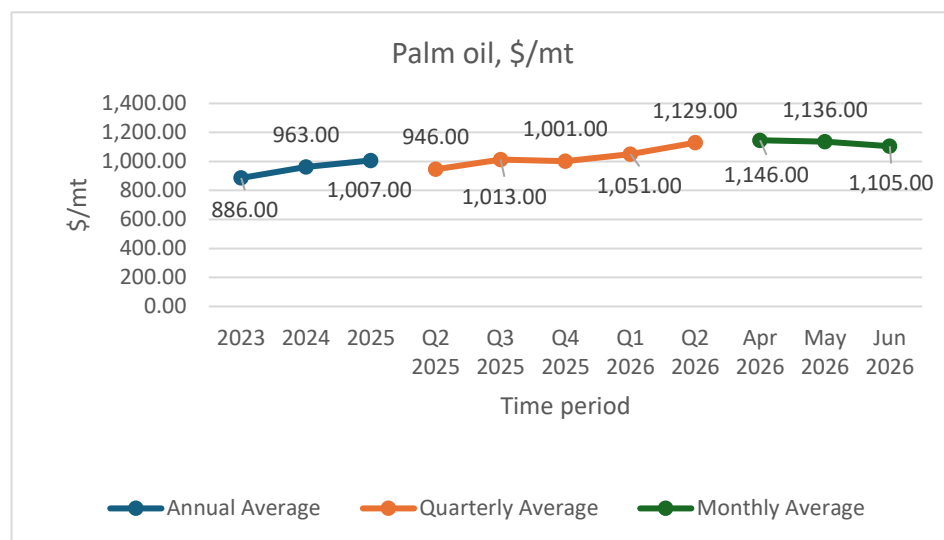
²⁸ World Bank. 2026. Commodity Markets Outlook, April 2026. Washington DC: World Bank. License: Creative Commons Attribution CC BY 3.0 IGO

²⁹ <https://www.worldbank.org/en/research/commodity-markets>

³⁰ <https://www.iisd.org/publications/report/2023-global-market-report-palm-oil>

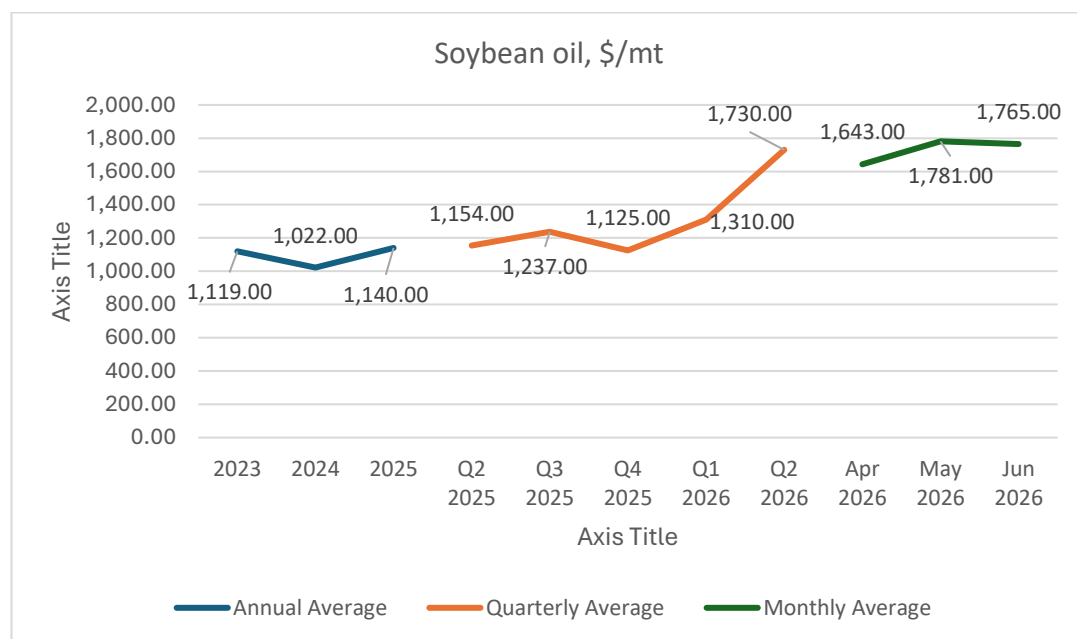
production. On the supply side, production growth has slowed due to land-use restrictions, labour shortages, ageing plantations and increasing sustainability requirements. Indonesia and Malaysia account for around 85% of global palm oil production, and weather events or trade restrictions affecting

either country have significant impacts on global prices.



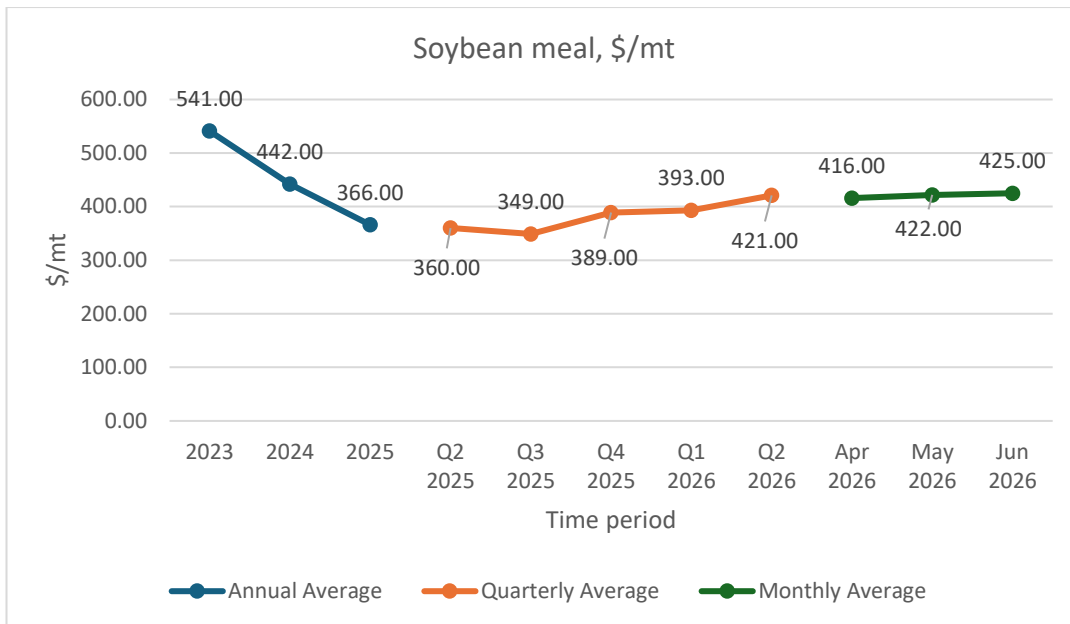
Source: World Bank Commodities Price Data (The Pink Sheet), July 2 2026

The graph below shows the price of **soybean oil** started to rise from the fourth quarter of 2025, when the quarterly average price was \$1,125/mt and has continued to increase through 2026 to reach a quarterly average of \$1,730/mt, with a slight levelling off in the last month to reach an average price of \$1,765/mt in June 2026.



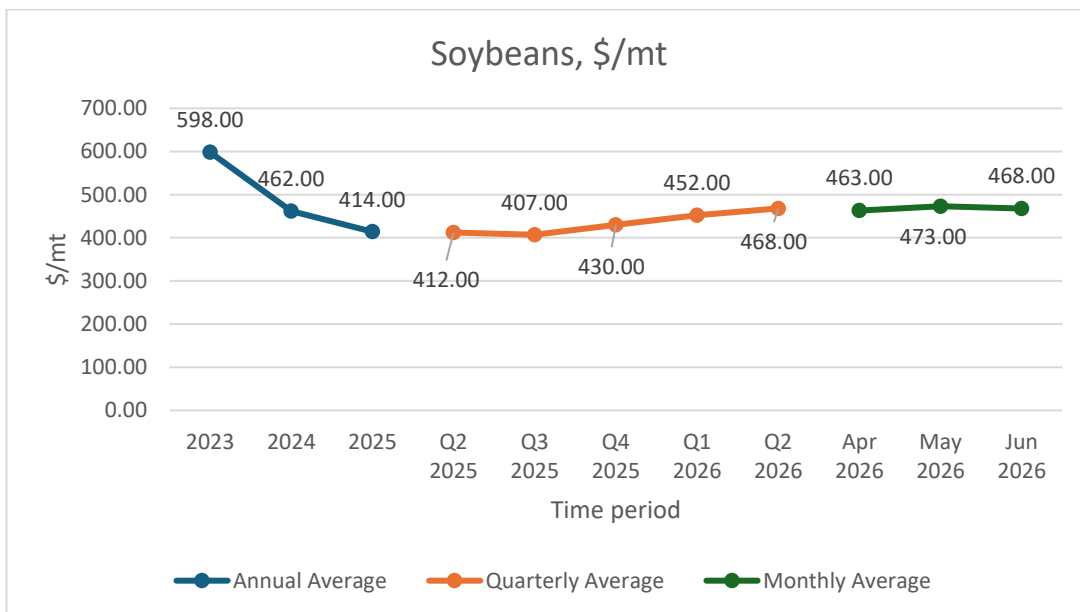
Source: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

The annual average price of **soybean meal** is shown on the graph on the next page, and has seen a steep drop since 2023, falling from \$551/mt in 2023 to \$336/mt in 2025. However, the average price has increased since that last quarter of 2025, with a slight monthly increase recorded since April 2026.



Source: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

The graph below shows the annual average price of **soybeans** has fallen by nearly 31% since 2023 from \$598/mt to \$414/mt. However, the last year has seen prices start to rise again, ending at an average price of \$468/mt for June 2026.



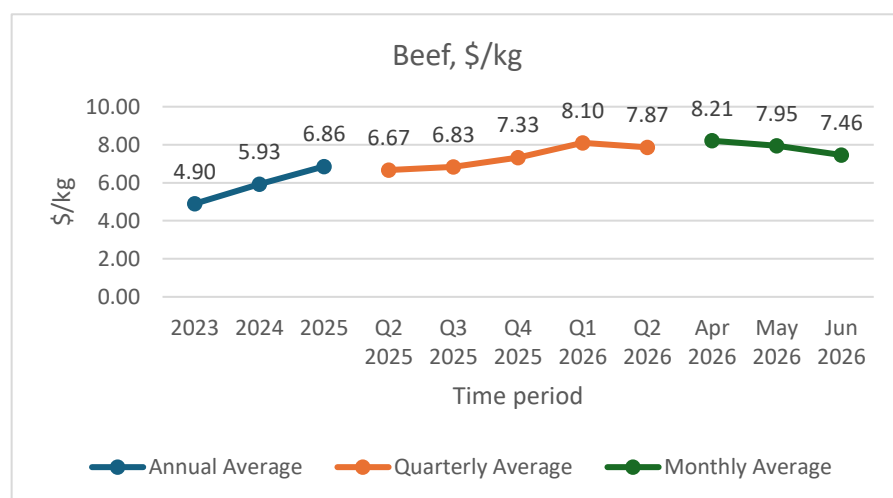
Source: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

The **global soybean market** saw price spikes in 2022, following the war in Ukraine and disrupted supply chains during the COVID-19 pandemic, and adverse weather reducing South American harvests. Supply is highly concentrated, with Brazil, the USA and Argentina accounting for the majority of global soybean production and exports. Therefore, weather events and trade policy impacting these countries have a

significant influence on global prices. Argentina increased its soybean production for the marketing year (MY) 2025/26³¹.

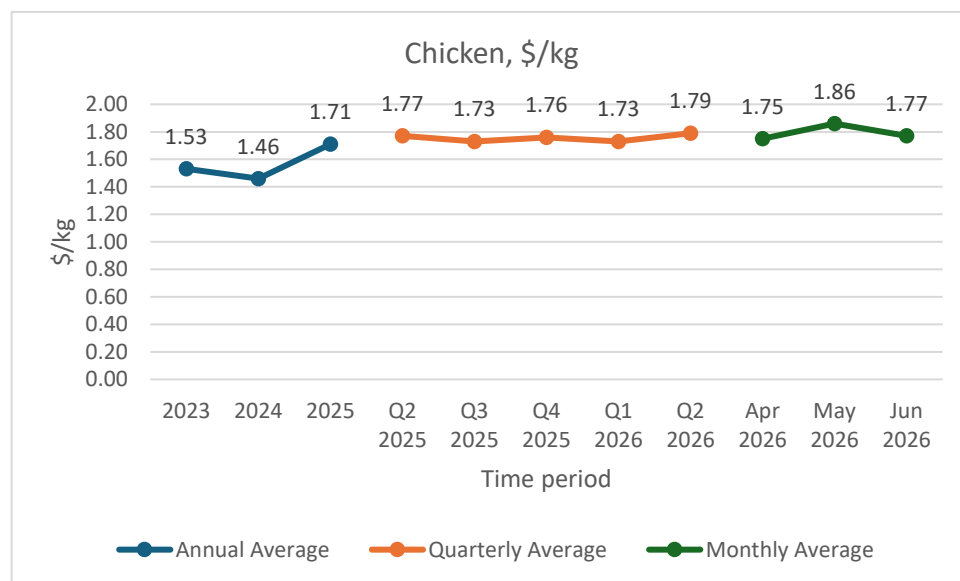
Meat

The next two graphs below show the changes to average global prices of **beef**, and **chicken**. Of these three commodities, chicken prices have been the most stable, whereas beef prices have risen sharply in recent years. These high prices have been driven by constrained cattle supplies in major exporting countries, herd rebuilding following droughts in Australia³² and parts of South America and significant import demand from Asia, particularly China. The conflict in the Middle East has driven up fuel and fertiliser prices for Australian producers³³. However, beef prices have shown a recent modest fall.



Source: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

The overall upward trend in global **chicken** meat prices reflected higher feed, energy and transport costs. The graph below shows that prices have remained relatively stable over the last 12 months, with poultry production able to respond more quickly to market changes due to shorter production cycles. However, production and trade have been disrupted by outbreaks of avian influenza.



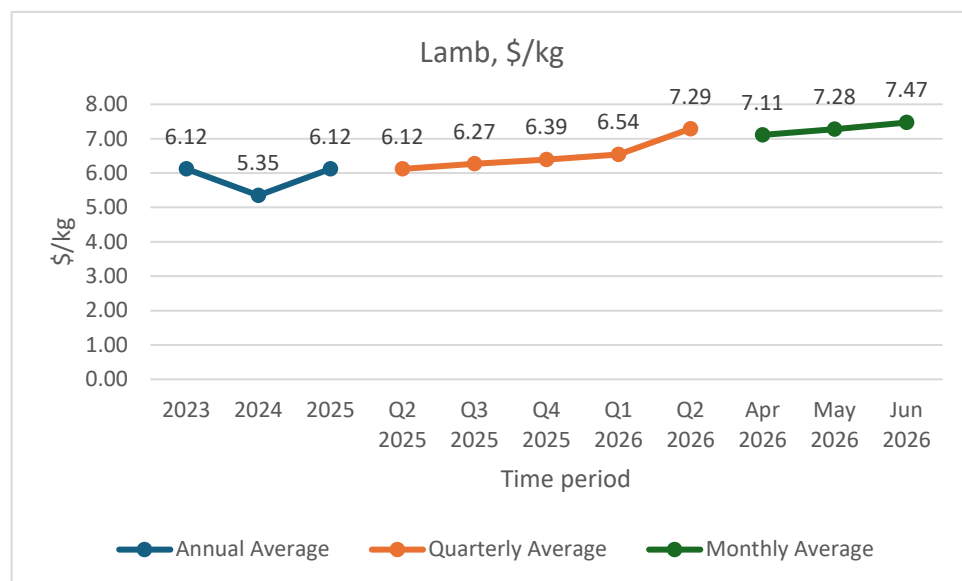
Source: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

31 <https://www.ers.usda.gov/topics/crops/soybeans-and-oil-crops/market-outlook>

32 <https://www.feedstuffs.com/livestock-and-poultry-market-news/australia-s-beef-sector-rebuilding-after-drought>

33 <https://ahdb.org.uk/news/australia-remains-a-key-player-on-the-global-beef-and-lamb-markets-what-happened-in-q1-beef-and-lamb-market-update>

The graph below shows that **Lamb** prices have remained high, reflecting strong international demand with falling production and slaughtering in some key countries such as Australia³⁴.

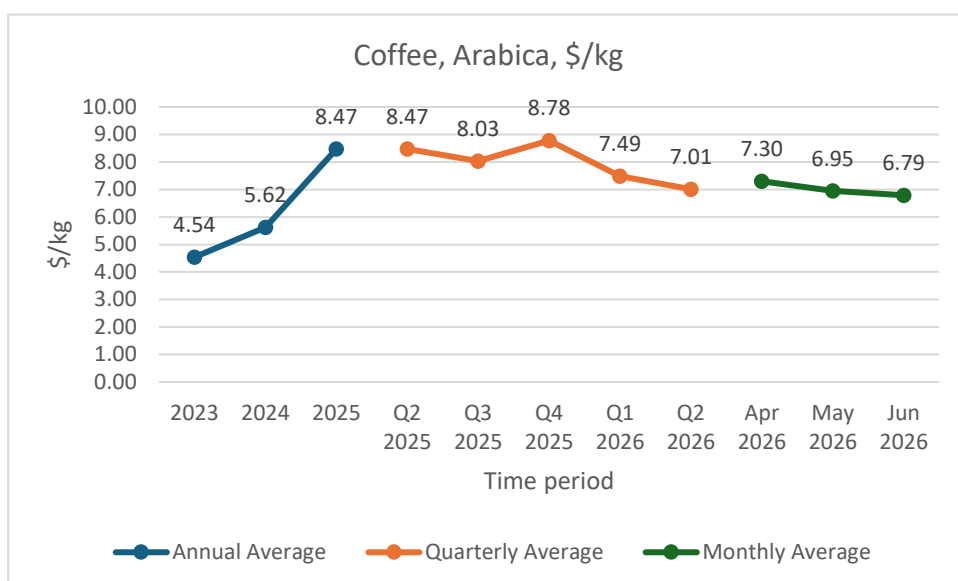


Source: World Bank
Commodities Price Data (The
Pink Sheet), July 2, 2026

Beverages and Sugar

The next three graphs show the changes in prices of **coffee (Arabica and Robusta) and cocoa**. All prices have been sourced from the World Bank Commodity Price Pink Sheet³⁵, issued on 2nd July 2026.

Arabica (graph on the right) and robusta coffee (graph on the next page) prices rose sharply during 2024 and 2025 following drought and high temperatures in Brazil. However, the expectations of a record Brazilian harvest have placed a downward pressure on prices. There are, though, concerns about El Niño and possible impacts on the end of the Brazilian 2026/27 harvest and into 2027/28³⁶. El Niño typically brings hotter and drier weather conditions to parts of Southeast Asia, with potentially negative impacts on the production of Robusta coffee in Vietnam, leading to further price increases³⁷.

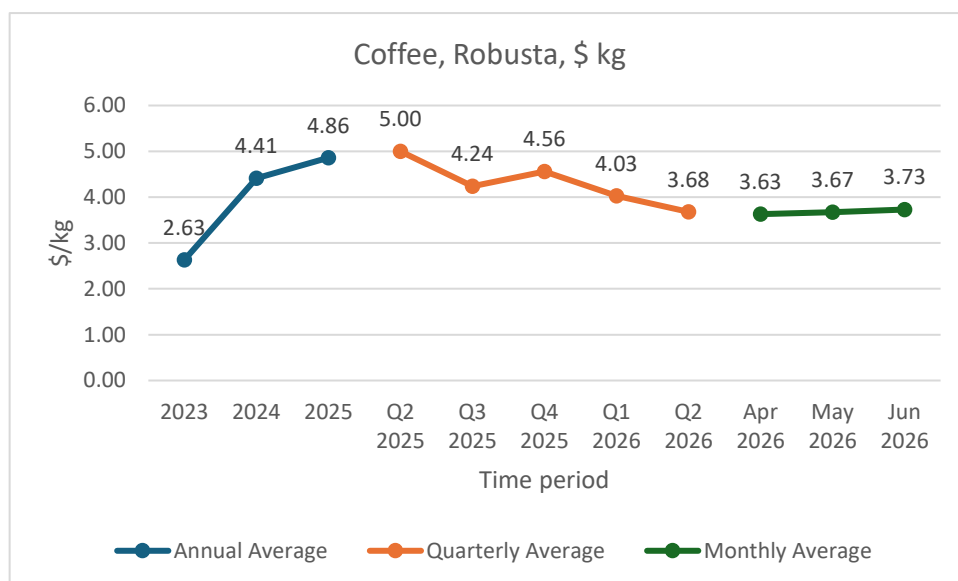


34 <https://ahdb.org.uk/news/australia-remains-a-key-player-on-the-global-beef-and-lamb-markets-what-happened-in-q1-beef-and-lamb-market-update>

35 <https://www.worldbank.org/en/research/commodity-markets>

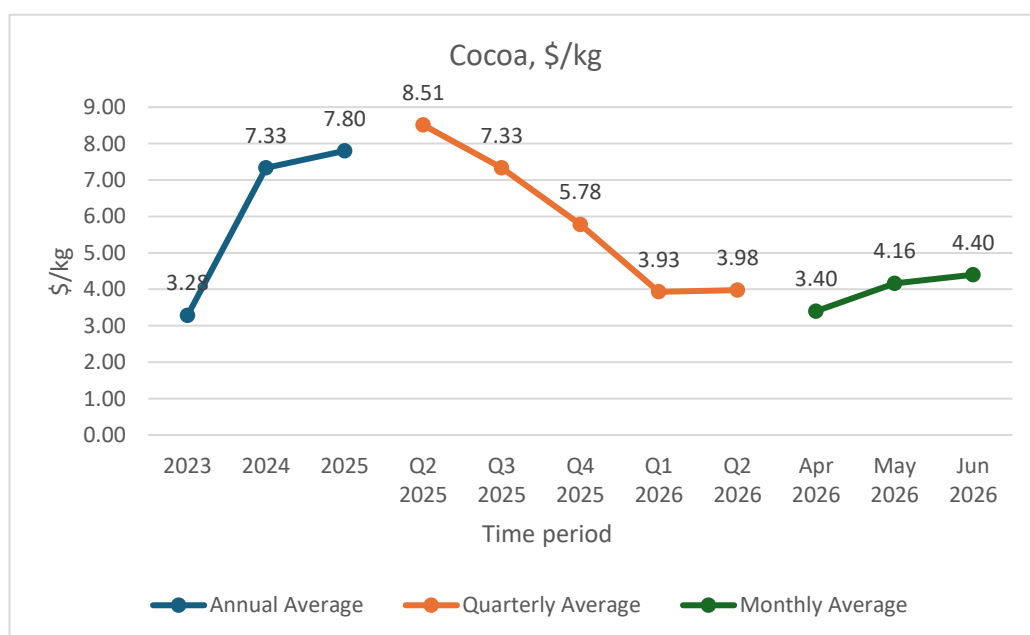
36 <https://www.fas.usda.gov/data/gain/2026/06/brazil-coffee-annual>

37 <https://www.comunicaffe.com/vietnam-usda-cy-2025-26-production-up-to-31-7-million-bags-el-nino-looms-over-cy-2026-27/>



Source for both graphs: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

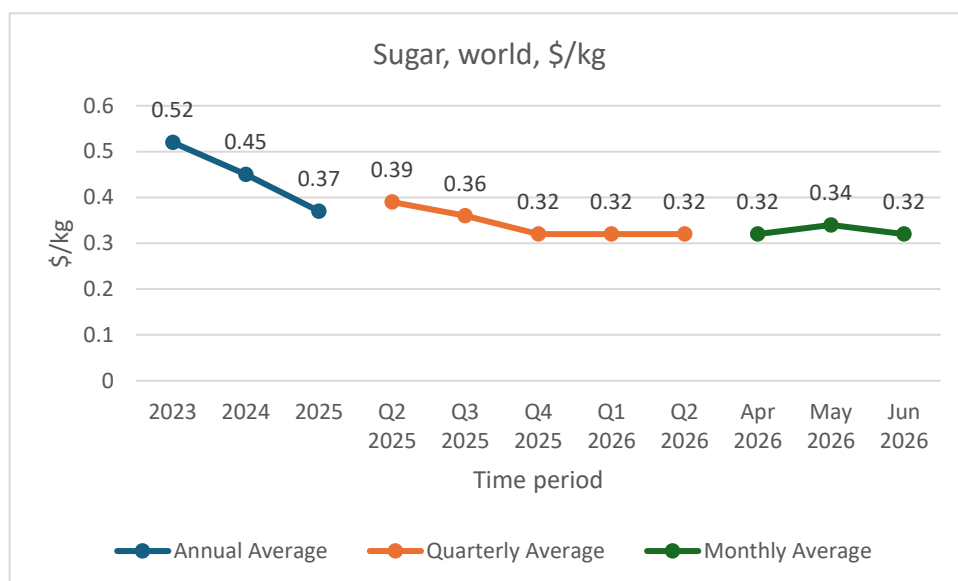
The graph below shows that **cocoa** prices have fallen dramatically from their almost unprecedented highs in 2024 and early 2025, driven by severe production shortfalls in Côte d'Ivoire and Ghana, in turn caused by weather events, crop disease and ageing plantations. Improved weather over West Africa, expectations of a larger 2025/26 harvest, and reduced speculative buying have contributed to declining prices. However, prices continue to be vulnerable to future weather shocks, particularly in West Africa which supplies around 60% of the world's cocoa³⁸.



Source: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

Sugar prices have fallen based on the expectations of large surpluses in the 2025-26 season in Brazil and India, the world's two largest producers. The graph on the next page shows the downward trend. However, as noted in the section on export restrictions, there is speculation that India may restrict exports, depending on the impacts of the forthcoming El Niño event. This will likely increase the price of sugar.

³⁸ <https://blogs.worldbank.org/en/opendata/-beverage-prices-moderate-as-coffee-and-cocoa-supply-recover>

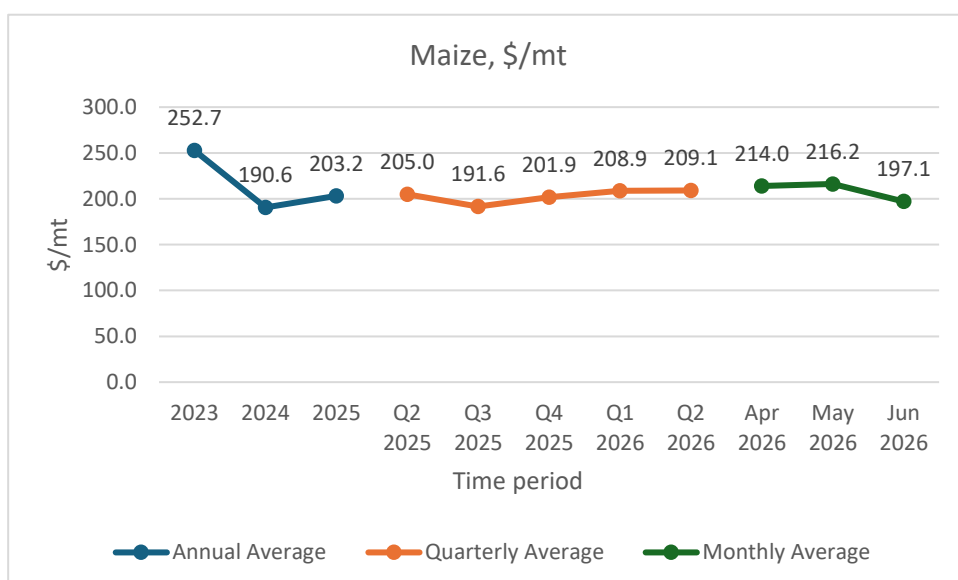


Source: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

Cereals

Maize prices have fallen since the highs of 2022, reflecting strong harvests in Brazil, USA and Argentina. The graph on the right indicates a continued downward trend in price for the first half of 2026, based on broadly favourable US production prospects and growing competition from South America³⁹.

Source: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

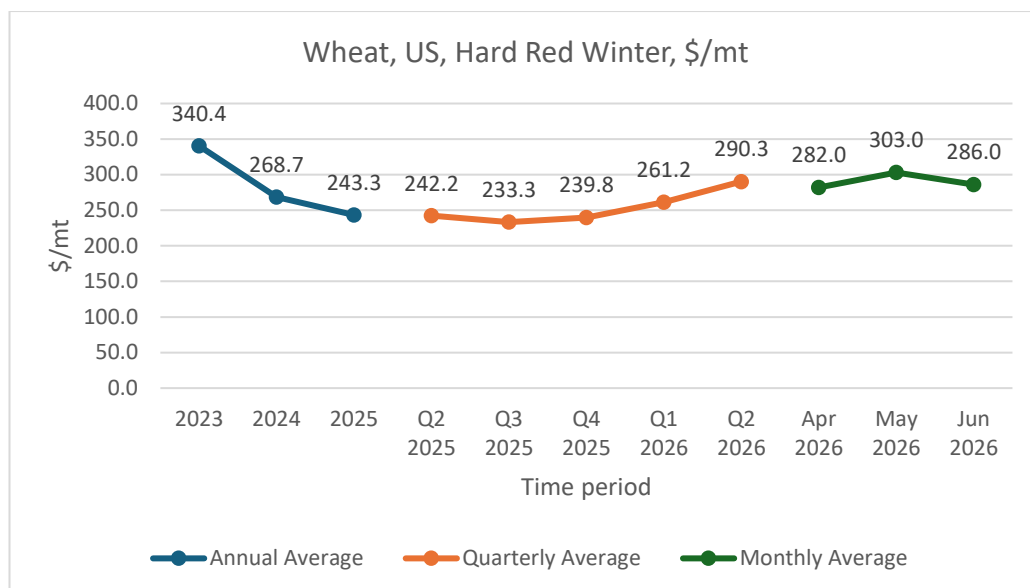


Prices of **wheat** have fallen from the highs of 2022, but the drought across the US Great Plains have significantly reduced yields of **US Hard Red Winter Wheat (HRW)** and increased crop abandonment. According to the United States Department of Agriculture, the 2026/27 US HRW wheat crop is forecast as the smallest since 1957/58⁴⁰. Increased fertiliser costs and weather impacts in other regions such as Australia and Europe impacted the May wheat price increase⁴¹ as shown in the graph on the next page.

39 <https://www.amis-outlook.org/market-monitor#MaizeInternationalPrices>

40 <https://www.ers.usda.gov/topics/crops/wheat/market-outlook>

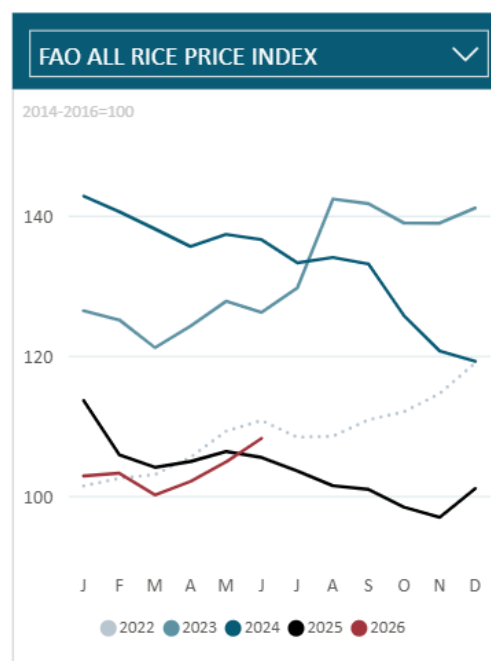
41 <https://www.fao.org/giews/food-prices/international-prices/detail/en/c/1759472/>



Source: World Bank Commodities Price Data (The Pink Sheet), July 2, 2026

The graph on the right, taken from the Food and Agriculture Organization of the United Nations (FAO)⁴², shows **rice** prices have been falling after the highs of 2023 and early 2024. The more recent decline in rice prices reflects a significant improvement in global supply. Many rice growing regions are reporting favourable conditions⁴³. The recent increase is based on concerns about the El Niño weather event⁴⁴.

Source: FAO All Rice Price Update, July 2026



Fertilisers

The World Bank Group's fertiliser price index⁴⁵ rose by more than 12% in the first quarter of 2026 and reached their highest level in March 2026 since 2022. The increase has been driven by the impact of exports of fertilisers and inputs from the closure of the Strait of Hormuz. **Nitrogen (urea)** prices averaged \$725 per metric ton in March, an increase of nearly 55% from February. The Strait is a critical shipping route for nitrogen-based fertilisers. In addition, **Iran** ceased ammonia production due to the conflict and **Qatar** has suspended production of urea, ammonia and sulphur following damage to its production facilities. **India** has reduced its production of urea and ammonia because of the declines in

42 <https://www.fao.org/worldfoodsituation/csdb/en>

43 <https://www.amis-outlook.org/market-monitor#RiceCropMonitor>

44 <https://www.amis-outlook.org/market-monitor#RiceInternationalPrices>

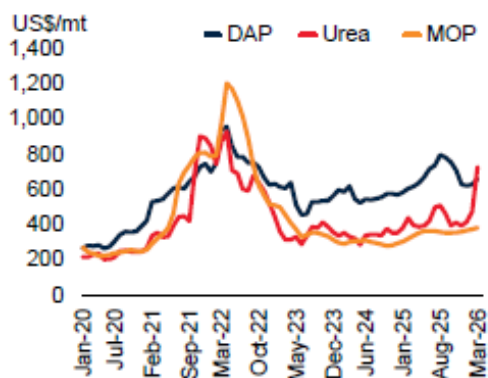
45 World Bank. 2026. Commodity Markets Outlook, April 2026. Washington DC: World Bank. License: Creative Commons Attribution CC BY 3.0 IGO

LNG supply. There have been media reports that **China** (the world's largest producer and second largest exporter of nitrogen-based fertiliser) may curb exports in the second quarter of 2026 to protect domestic fertiliser prices. Urea prices are projected to rise by nearly 60% in 2026, with market conditions remaining tight. As natural gas is a feedstock for urea production, there are concerns that this, along with further trade restrictions could further push up input costs and average urea prices could exceed the 2022 average of \$700 per metric ton.

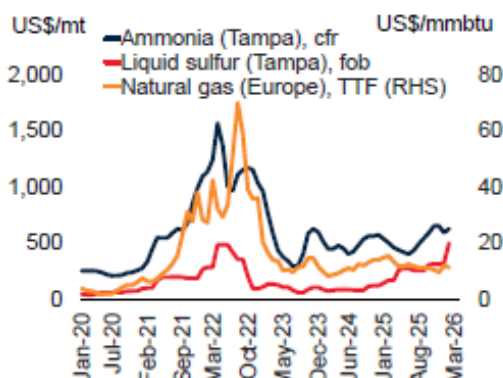
The graph below, "Fertiliser prices", show the prices of **DAP (diammonium phosphate), Urea and MOP (muriate of potash, or potassium chloride)**. DAP prices were 6% higher than the previous year. Forecasts are subject to two key risks which could push prices much higher. Firstly, renewed export restrictions by China and secondly, a prolonged closure of the Strait of Hormuz which continues to disrupt global fertiliser trade. **MOP (muriate of potash, or potassium chloride)** prices rose by over 5% in the first quarter of 2026 and 17% above the previous year. Exports from Belarus have been increasing following the easing of US sanctions. Canadian exports and exports from the Lao People's Democratic Republic are expected to sustain ample supplies this year and next. MOP prices are expected to rise by about 12% in 2026. The introduction of significant new production capacity, particularly in Canada (the world's largest potash producer and exporter) could exert further downward pressure on prices. **Urea** prices reached a monthly average of \$856.9/mt in April 2026, but has since fallen to \$453.1/mt. The drop in price aligns with a drop in demand from US farmers as the spring planting season closes out and the de-escalation of the Middle Eastern conflict, easing fears of continuing supply disruptions⁴⁶.

The "Fertiliser input costs" graph below, shows the prices of the key inputs to make fertiliser. This graph shows that whilst all three input costs have risen since the start of the Middle Eastern conflict, they have remained lower than the spikes seen in 2022 when Russia invaded Ukraine.

A. Fertilizer prices



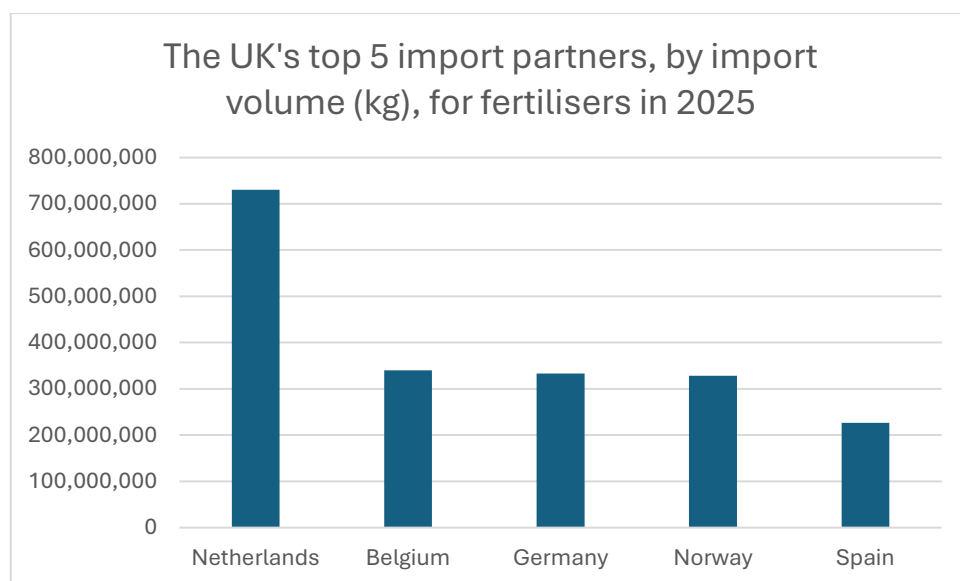
B. Fertilizer input costs



Source: World Bank Commodity Markets Outlook, April 2026

The graph on the next page shows that in 2025, the UK's fertiliser top five import partners, by volume, were the Netherlands, Belgium, Germany, Norway and Spain.

⁴⁶ <https://ukagroconsult.com/en/news/urea-prices-fall-to-their-lowest-level-since-the-start-of-the-iran-war-amid-oversupply/>



Source: The above import figures for SITC 27 and 56 use an Overseas Trade in Goods Statistics (OTS) extract produced by HM Revenue & Customs (HMRC) which was accessed on the 13th July 2026.

Why this Matters for Welsh Food and Drink Manufacturers

Many Welsh food and drink manufacturers depend on imported agricultural raw materials and ingredients, even where products are manufactured here in Wales. Changes in the prices of cereals, vegetable oils and oilseed meals affect the cost of bread, bakery products, animal feed and processed foods, while fluctuations in meat prices influence livestock input costs and the price of meat products. Sugar, coffee, cocoa and rice are largely imported into the UK, meaning that global supply disruptions, adverse weather, geopolitical tensions, trade restrictions and exchange rate movements can quickly feed through to manufacturing costs. Sharp increases in commodity prices can reduce profit margins where higher costs cannot be passed on to customers, while price volatility makes procurement, budgeting and contract management more difficult.

UK Commodities and Input Prices

Crops

According to AHDB, **UK crops**⁴⁷ were reported to be growing well, with May rainfall aiding recovery after the earlier dry weather. The heatwave at the end of May increased crop stress with visible leaf rolling in wheat crops. AHDB noted that oilseed rape (OSR) has generally fared better than wheat and barley. The table below summarises AHDB's crop assessments as at the end of May 2026:

Crop	AHDB assessment
Winter wheat	64% of winter wheat crops across the UK are in a good or excellent condition, down from 75% in April and 82% at the end of March. However, the rating exceeds both May 2045 (36%) and May 2024 (55%)
Winter barley	62% of the UK's winter barley crop is rated as in good or excellent condition, down from 70% in April and 85% in March. It is above the 48% level in May 2025, but in line with the 62% reported in May 2024.

⁴⁷ <https://ahdb.org.uk/cereals-oilseeds/crop-development-report>

Winter oats	71% of the UK winter oat crop is rated as good to excellent, down from 81% in April, but well above the 52% noted in May 2025.
Winter oilseed rape	78% of winter oilseed rape crops were rated as good or excellent, down from the 84% reported in April, but a significant increase on the 52% noted in May 2025
Spring wheat	Just 35% of spring wheat crops are in good or excellent condition across the UK, significantly below the 50% which was reported last year.
Spring barley	57% of the UK's spring barley crop is in good or excellent condition, slightly above last year's 54%, but well below the 83% in late May 2023.
Spring oats	55% of the UK's spring oats are in good or excellent condition, above the 42% reported last year, but below the 73% report in 2024.

Fertilisers

The costs of the most commonly used **fertilisers** have increased by between 20% and 26% since the start of the conflict in the Middle East. However, these increases to the prices recorded on 19th June 2026 hide even bigger increases during the reporting period as prices have now started to fall. The table below shows the four main fertilisers used in the UK and compares each to the pre-war price in January 2026 and the highest price in 2022. Whilst prices are elevated compared to January 2026 and June 2025, they remain around 40% - 45% below the extreme prices witnessed in 2022, following Russia's invasion of Ukraine, following Russia's invasion of Ukraine, post-COVID demand and the imposition export restrictions and sanctions.

Fertilisers	Price as at 19/06/26, per tonne	January 2026 price per tonne	% increase/decrease	June 2025 price per tonne	Year on year increase	Highest price per tonne in 2022	% decrease
Ammonia nitrate - UK produced	£497	£393	26%	£383	30%	£841	-41%
Ammonia nitrate - imported	£478	£399	20%	£376	27%	£870	-45%
Granular Urea	£519	£427	22%	Not available	Not available	£911	-43%
Nitrate sulphur	£483	£393	23%	£383	26%	No comparative	N/C

Source: Adapted from AHDB GB Monthly and Weekly Fertiliser Prices⁴⁸

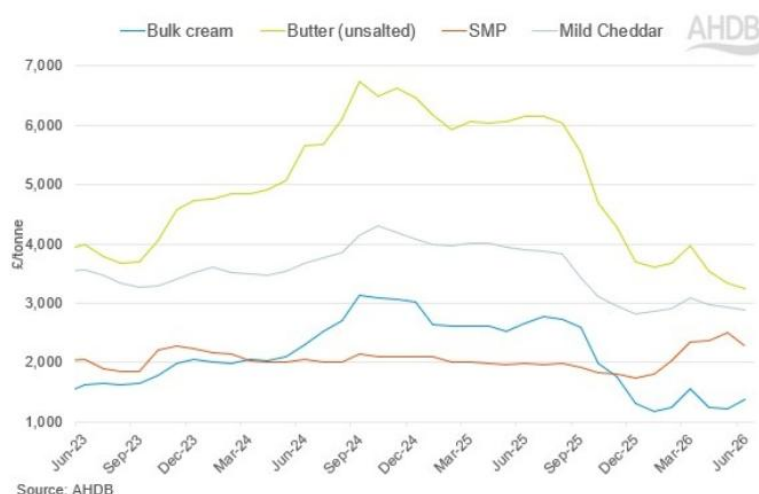
Dairy

The graph on the next page shows the **wholesale prices for dairy** from AHDB⁴⁹. The wholesale price for **skimmed milk powder (SMP)** increased in recent months, following wider demand for protein and the shortage in the market, peaking in May at £2,500/tonne before dropping to £2,290/tonne in June, an increase of 16% from June 2025. The average price of **bulk cream** ticked up in June to £1,387/tonne, a decrease of 48% from June 2025 and up 14% from the previous month. **Butter** was £3,240/tonne, a decrease of 47% compared to June 2025 and a fall of 3% from May. **Mild cheddar** dropped 26% from June 2025 to be £2,890/tonne, a drop of 2% from May. Milk supplies in the UK have been behind year-ago levels since April and there is now some spare processing capacity. European milk remains extremely strong, putting pressure on the broader market.

⁴⁸ <https://ahdb.org.uk/GB-fertiliser-prices>

⁴⁹ UK wholesale prices | AHDB

Figure 1. UK dairy product wholesale prices



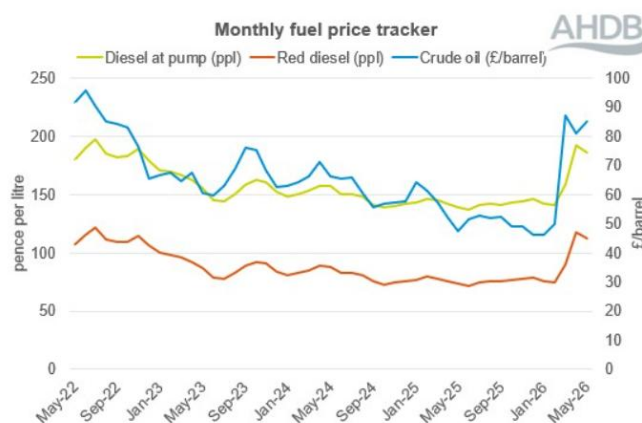
Source: AHDB Dairy UK Wholesale Prices

UK Fuel Prices

The table below, left shows that the **UK diesel** price has seen a year-on-year increase of nearly 34%. The price of UK diesel at the pump was 142 pence per litre in January 2026 and has risen by 35% to 192 pence in April 2026. However, the price dropped to 186.21 pence per litre in May. **Red diesel** has seen an even greater year-on-year price increase of nearly 54%. It was 76 pence per litre in January rising to 117.5 pence in April, an increase of 54.6%, before falling back to 112.41 pence per litre in May⁵⁰. The graph next to the table shows the monthly fuel price tracker, published by AHDB. It clearly shows the spike in fuel prices in March and April, following the start of the US-Israel-Iran conflict.

Month	OPEC price (US\$ / barrel)	OPEC price (£ / barrel)	UK red diesel (ppl)*	UK diesel pump price (ppl)
May-26	114.55	84.95	112.41	186.21
Apr-26	109.06	80.99	117.56	192.40
Month-on-month change	5.49	3.96	-5.15	-6.19
% change	5.0%	4.9%	-4.4%	-3.2%
May-25	63.62	47.58	73.12	139.07
Year-on-year change	50.93	37.36	39.29	47.14
% change	80.1%	78.5%	53.7%	33.9%

Figure 2. Monthly fuel price tracker



Sources: AHDB fuel prices

(**Note:** The monthly AHDB fuel prices for June were not available in time to include in this report.)

⁵⁰ <https://ahdb.org.uk/fuel-prices>

Energy

As of 26th June 2026, the UK **electricity** spot price was £91.04/MWh, up 12% since the beginning of 2026, but lower than the peak on 3rd March when the spot price reached £111.06/MWh. The June price is 29.5% higher than June 2025⁵¹. The graph on the right, taken from Trading Economics, shows that whilst the electricity spot price has increased since the beginning of this year, it remains significantly below the peaks seen in 2022.



Source: Trading Economics, accessed 28/06/26

The graph below shows that **UK natural gas prices** have dropped to around 96.2 pence per therm, the lowest since February and since shipping activity has started to resume through the Strait of Hormuz, albeit at a reduced level⁵². Qatar's Prime Minister has indicated that LNG production is expected to return to normal within weeks, apart from the damaged facility⁵³. The prospect of resumed LNG flows from the Gulf could help Europe replenish stocks ahead of winter.



Source: Trading Economics, accessed 28/06/26

Why this Matters for Welsh Food and Drink Manufacturers

Changes in UK commodity prices are a key driver of costs and competitiveness for Welsh food and drink manufacturers because they directly influence the price of raw materials, processing, transport and

⁵¹ <https://tradingeconomics.com/united-kingdom/electricity-price>

⁵² <https://tradingeconomics.com/commodity/uk-natural-gas>

⁵³ <https://www.reuters.com/business/energy/qatar-resume-normal-liquefied-natural-gas-production-within-few-weeks-pm-tells-2026-06-24/>

refrigeration. Cereals are essential inputs for flour, bakery products, breakfast cereals and animal feed, meaning fluctuations in wheat and other grain prices affect both food manufacturing and livestock production costs. Dairy price movements influence the cost of milk, cheese, butter and other dairy ingredients used across the sector. Meanwhile, changes in petrol and diesel prices affect the cost of transporting ingredients and finished products throughout often lengthy supply chains, while natural gas and electricity prices directly impact energy-intensive processes such as baking, brewing, dairy processing, chilling and freezing.

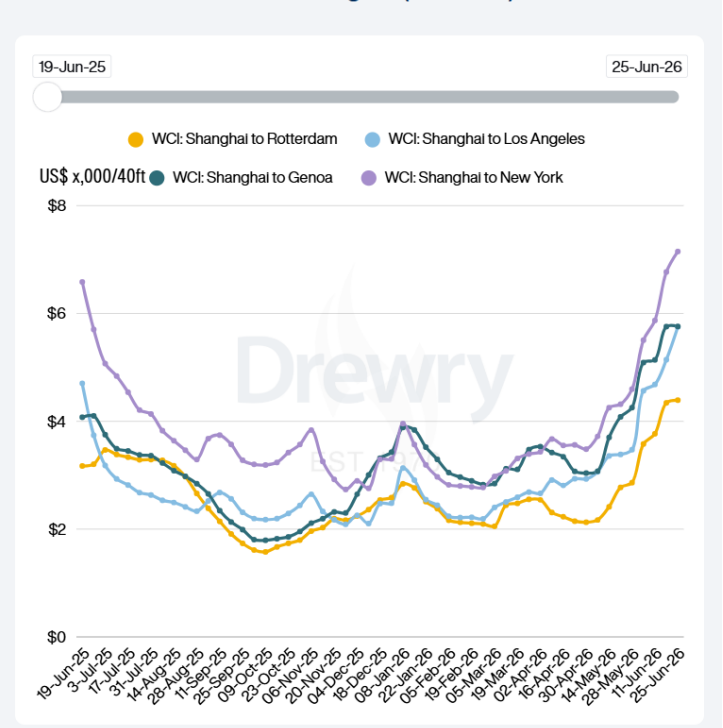
Logistics

According to the Drewry World Container Index⁵⁴, the US-Iran interim agreement has improved sentiment across **global shipping** markets by reducing the risk of disruptions in the Strait of Hormuz. However, uncertainty remains although the hope is that the easing of tensions will stabilise oil and bunker fuel prices, reducing cost pressures on ocean carriers. Strong peak-season demand and the continued implementation of carrier surcharges are keeping an upward pressure on spot rates. The Drewry World Container Index spot rate jumped 5% to \$4,166 per 40ft container, driven by an increase in rates on the Transpacific trade route. The graph below shows the Drewry World Container Index spot rates from Shanghai, with the yellow line showing the Shanghai to Rotterdam rates and the teal coloured line showing the rates for Shanghai to Genoa. Both show steep increases since early May.

Rates on the **Shanghai to Rotterdam** route were \$4,392 on 25th June 2026, and \$5,759 per 40ft container on the **Shanghai to Genoa** route.

Congestion at key Asian and European hubs continues to limit vessel availability which, coupled with strong cargo demand, is sustaining tight capacity across major trade lanes. Further short-term price volatility is anticipated.

WCI Trade Routes from Shanghai (US\$/40ft)

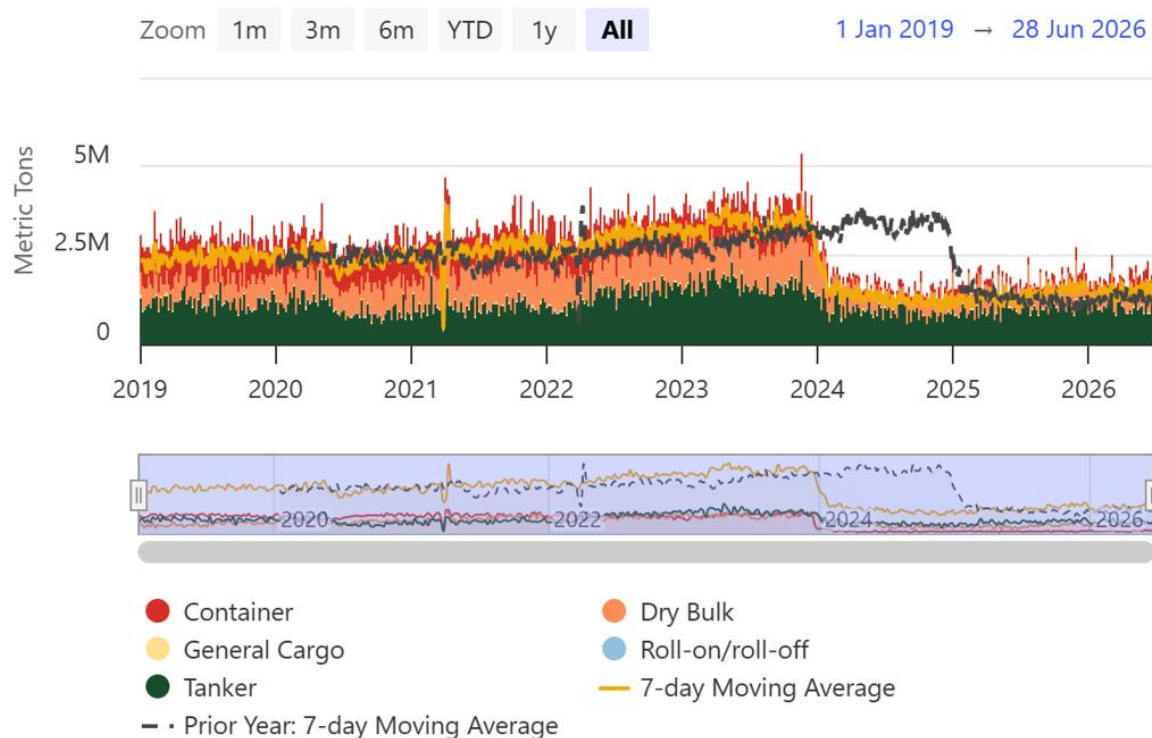


Source: Drewry World Container Index, accessed
28th June 2026

Transit volume through the Suez Canal continues to be at reduced levels due to the wider Middle East tensions. The graph on the next page shows how transit volumes (in metric tonnes) reduced sharply in

⁵⁴ <https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry>

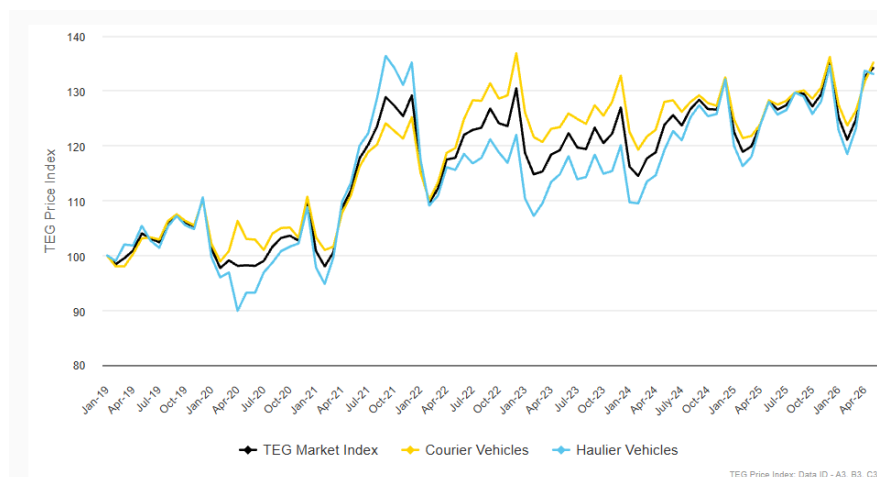
early 2024, and have not yet recovered, adding pressure to logistics costs.



Source: IMF Portwatch, accessed 5th July 2026

The TEG Price Index⁵⁵ tracks the average prices paid for **UK haulage and courier services**. The May summary⁵⁶ showed that, overall, road transport prices increased by 1.21% between April and May 2026, and a 4.68% increase on the previous year. Haulage prices fell slightly (-0.45%), whilst courier prices increased by 2.74%. Year on year increases were 3.74% and 5.62% for haulage and couriers respectively. The graph on the right shows the overall index as a black line, the yellow line is couriers and the blue line is hauliers. All indices are tracking upwards.

Source: TEG Transport Price Index, accessed 28th June 2026



Why this Matters for Welsh Food and Drink Manufacturers

Changes in logistics costs and transport routes can have a significant impact on Welsh food and drink manufacturers because many rely on imported ingredients, packaging and equipment, as well as

⁵⁵ <https://teg.tech/road-transport-price-index/>

⁵⁶ <https://teg.tech/road-transport-price-index/may-2026/>

efficient distribution networks to supply customers across the UK and overseas. The continuing reduced transit through the Suez Canal increases transport costs, insurance premiums and journey times as vessels are diverted around the Cape of Good Hope, extending voyages by around 10–14 days on many Asia–Europe routes. These disruptions lead to higher input costs, longer lead times, reduced supply chain reliability and increased working capital requirements to hold larger stocks. At the same time, rising UK road haulage costs increase the cost of moving raw materials and finished products within domestic supply chains.

Export Restrictions

On 5th March, **Kuwait** banned the export of all types of food products through its land, sea and airports. The directive was issued by the Minister of Commerce and Industry⁵⁷ as part of efforts to safeguard food security and ensure the stability of the domestic market. In March, **Iran** banned all agri-food exports⁵⁸ in order to prioritise the domestic supply of essential good.

Reuters⁵⁹ reported on 19th March that **China** is restricting **fertiliser exports, including nitrogen-potassium fertiliser blends and certain phosphate varieties**, to protect domestic markets. The ban was not formally announced. According to the Agrifood Policy Highlights, May 2026, published by the United Nations Food and Agriculture Organization⁶⁰, China extended export restrictions on **urea** until August 2026, and introduced a 700,000 tonnes quota on **sulfuric acid**, cutting overseas supply by 25% before halting exports from May 2026. Türkiye has banned sulphur exports. The ban is expected to remain in place until the 3rd quarter of this year⁶¹.

On 22nd June 2026, Reuters⁶² reported that India, the world's biggest **sugar** exporter after Brazil, is expected to have **little surplus sugar for export for at least three more seasons as El Niño weather conditions threaten cane production and rising ethanol demand squeezes supply**. These twin pressures could keep millions of tonnes of sugar off the world market, tightening supplies for importers and impacting prices. The forecast for lower rainfall in India is likely to hit sugar cane production. India exported 6.8 million tonnes of sugar annually on average in the five seasons through 2022-2023, about 10% of global shipments. This year, the country has exported about 800,000 tonnes, before banning shipments until 30th September⁶³. India was forecast to produce 30.95m tonnes of sugar this season, but output is now forecast at 27.9m tonnes, below the annual consumption of about 28.5m tonnes.

Why this Matters for Welsh Food and Drink Manufacturers

Export restrictions on strategically important commodities reduce global availability, increasing price volatility and disrupting supply chains. Fertilisers are a critical input for agricultural production, so restrictions on exports can raise production costs for cereals, sugar beet, fruit, vegetables and livestock feed, leading to higher prices for many food ingredients used by manufacturers. Similarly, export

57 Kuwait bans export of all food products to protect supply

58 <https://www.just-food.com/news/iran-bans-all-agri-food-exports/>

59 <https://www.reuters.com/world/asia-pacific/china-restricts-fertiliser-exports-further-crimping-war-tightened-supply-2026-03-19/>

60 <https://www.fao.org/agrifood-economics/news/detail-events/en/c/1758817/>

61 <https://fertilizerfield.com/turkey-sulphur-export-ban-2026/>

62 India likely won't export sugar for years as El Nino, ethanol squeeze supply | Reuters

63 India bans sugar exports until Sept 2026 to cool local prices | Reuters

restrictions on sugar by major producing countries can tighten global supplies and increase input costs for confectionery, bakery, dairy and beverage manufacturers.

Food Supply Chains and Import Dependency

The UK's **top three agricultural imports**, by volume, in 2025 were **maize, wheat and meslin** and **soya-bean oilcake**. The graphs below show a heavy reliance on **North America** for maize and wheat, and on **South America** (Argentina and Brazil) for soya-bean oilcake. With parts of the US suffering drought conditions and high costs of fertiliser and fuel, it is likely that prices of these commodities will be impacted.



The UK is reliant on many countries for imports of **animal proteins, carbohydrates, fruit, vegetables** and **salad crops**. **Appendix 1** provides a summary of the countries of origin for some of the food categories that are imported into the UK and form part of the food and drink supply chain.

The UK's top import partners for **animal proteins** include distant countries such as **Thailand** and **Brazil**, creating supply chain vulnerabilities due to exposure to adverse weather, logistics disruptions and price increases, and the complexities which arise from longer supply chains. Most of the UK's imports of cheese and eggs come from European partners, including **Ukraine** and **Poland**.

The UK's **carbohydrates** are also sourced from distant and European countries. The UK's top two import partners for **rice** are **India** and **Pakistan**. In 2025, Pakistan suffered devastating **floods**, causing widespread destruction in some of the main agricultural regions of the country. According to the Food

and Agricultural Organisation of the United Nations⁶⁴, nearly 14,500 km² of agricultural land was flooded, with rice being the most affected crop (approximately 3,000 km² of rice crops), removing a material share of national rice production capacity. The UK's third largest import partner is **Italy**, and Italian rice growing regions have been affected by drought conditions in recent years⁶⁵. **Italy** is also the UK's largest import partner for pasta. **Durum wheat** is grown in southern regions, where yields are expected to fall under climate warming conditions and reduced precipitation⁶⁶. **Belgium** and the **Netherlands** are the UK's two biggest import partners for **potatoes**. Excessive rain and flooded fields, particularly in the autumn of 2023 caused reduced yields and escalating prices⁶⁷.

Spain dominates as an import partner for the UK for **fruit, vegetables** and **salad crops**. In October 2025, the Institute of Grocery Distribution (IGD) published "A climate risk assessment for the UK food system" which highlighted that the UK is most exposed to increased costs of Spanish produce⁶⁸. The agricultural regions of Spain are highly water stressed, with 20% of mainland Spain being 'desertified'⁶⁹, whilst also being exposed to extreme rain, flooding and hail, putting field and undercover-grown crops at risk of damage. **Morocco** is also a key supplier of fruit and vegetables and a country which is vulnerable to climate change. Floods earlier this year affected exports of **tomatoes** to the UK⁷⁰. **Colombia, Costa Rica** and the **Dominican Republic**, are the UK's main trading partner for **bananas**. In May 2025, Christian Aid published a report "Going Bananas: how climate change threatens the world's favourite fruit"⁷¹ which highlights that 60% of the best banana growing areas are in danger from rising temperatures, extreme weather and climate-related pests.

Why this Matters for Welsh Food and Drink Manufacturers

The UK depends on reliable imports of many key agricultural commodities, making it increasingly exposed to weather-related disruption overseas. Climate change is increasing the frequency and severity of droughts, heatwaves, floods and storms in major supplying regions including Spain, Morocco, Italy and other Mediterranean countries, reducing yields, disrupting harvesting and transport, and contributing to shortages and price volatility. These disruptions can directly affect Welsh food and drink manufacturers through higher ingredient costs, reduced availability of raw materials, greater procurement uncertainty and increased pressure to diversify suppliers or reformulate products. This import dependency is also a key vulnerability in the UK's overall food security.

Economy

Interest rates were held in June, remaining at 3.75% due to the uncertainty over the impact of high energy prices and the Bank of England warning that the Middle East war has left inflationary pressure in

⁶⁴ <https://openknowledge.fao.org/handle/20.500.14283/cd8566en>, <https://doi.org/10.4060/cd8566en>

⁶⁵ <https://www.reuters.com/world/europe/italy-cut-rice-output-drought-looms-second-year-2023-03-24/>

⁶⁶ Modeling high-resolution climate change impacts on wheat and maize in Italy, Climate Risk Management, Volume 30, 2021; <https://doi.org/10.1016/j.crm.2021.100339>

⁶⁷ <https://www.potatopro.com/news/2023/excessive-rain-delays-potato-harvest-north-western-europe-creating-new-uncertainties>

⁶⁸ <https://www.igd.com/reports/a-climate-risk-assessment-of-the-uk-food-system/71694>

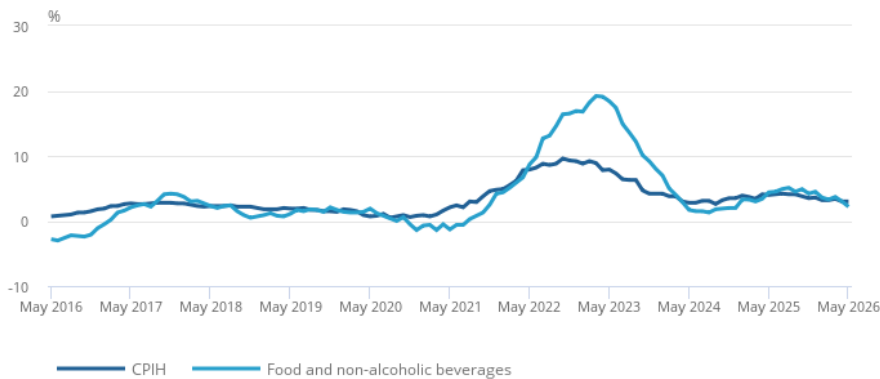
⁶⁹ <https://www.realinstitutoelcano.org/en/commentaries/climate-change-takes-its-toll-on-spain/>

⁷⁰ <https://www.fpcfreshtalkdaily.co.uk/post/floods-in-spain-and-morocco-raise-fresh-produce-supply-concerns-for-uk-retailers>

⁷¹ <https://mediacentre.christianaid.org.uk/going-bananas-new-report-shows-how-climate-change-threatens-the-worlds-favourite-fruit/>

the pipeline⁷². The graph below shows that the **Consumer Prices Index** rose by 2.8% in the 12 months to May 2026, unchanged from the 12 months to April 2026. Transport made the largest upward contribution to the monthly change, partly offset by the downward contribution of food and non-alcoholic beverages. The inflation rate for food and non-alcoholic beverages was 2.2% in May, down from 3% in April⁷³.

CPIH, and food and non-alcoholic beverages 12-month inflation rates, UK, May 2016 to May 2026



Source: Office for National Statistics

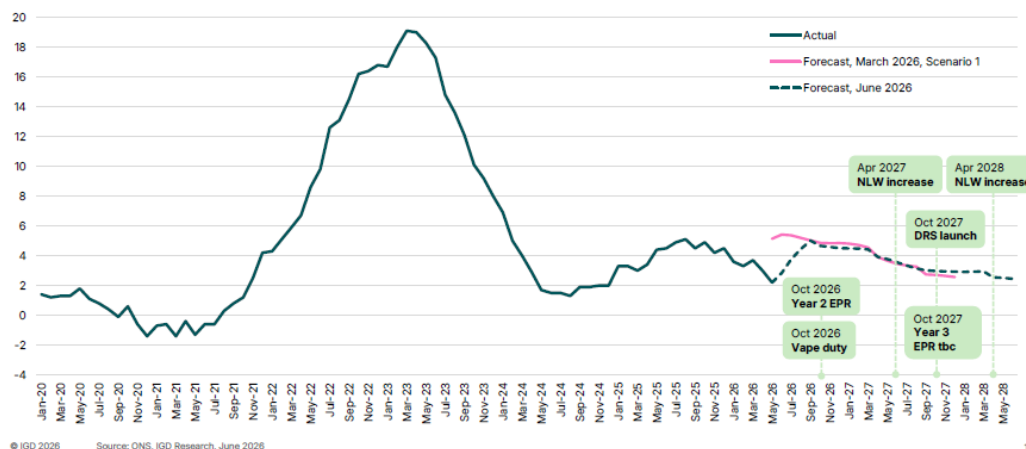
The IGD's **Food Inflation Forecasts** for 2026-28 was published in June 2026⁷⁴ and notes that elevated food inflation is expected to persist, averaging 3.3 to 4.3% in 2026, 3.1 to 4.1% in 2027, and falling to 2.2 to 3.2% in the first half of 2028. The report notes that IGD expects inflation to peak at around 5% in the second half of 2026, staying elevated into early 2027, followed by a gradual decline. The graph below shows IGD's forecast, based on assumptions about the cost impact of the Extended Producer Responsibility (EPR), National Living Wage (NLW) increases in line with average wages, food commodity inflation will trend back, lagged disruption effects, oil and gas prices remain around current levels, government policy changes currently planned remain in place with no new policy changes, and labour and business rate pressures remain significant.

IGD Economics | June 2026 Issue 25

Viewpoint Quarterly

UK retail food and drink price inflation, CPI method

Inflation, year-on-year (%)



Source: IGD Food
Inflation Forecasts,
June 2026, accessed
28th June 2026

⁷² <https://www.bbc.co.uk/news/articles/c33yzm5mdjpo>

⁷³ <https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/may2026>

⁷⁴ <https://www.igd.com/reports/viewpoint-food-inflation-forecasts-2026-28/73468>

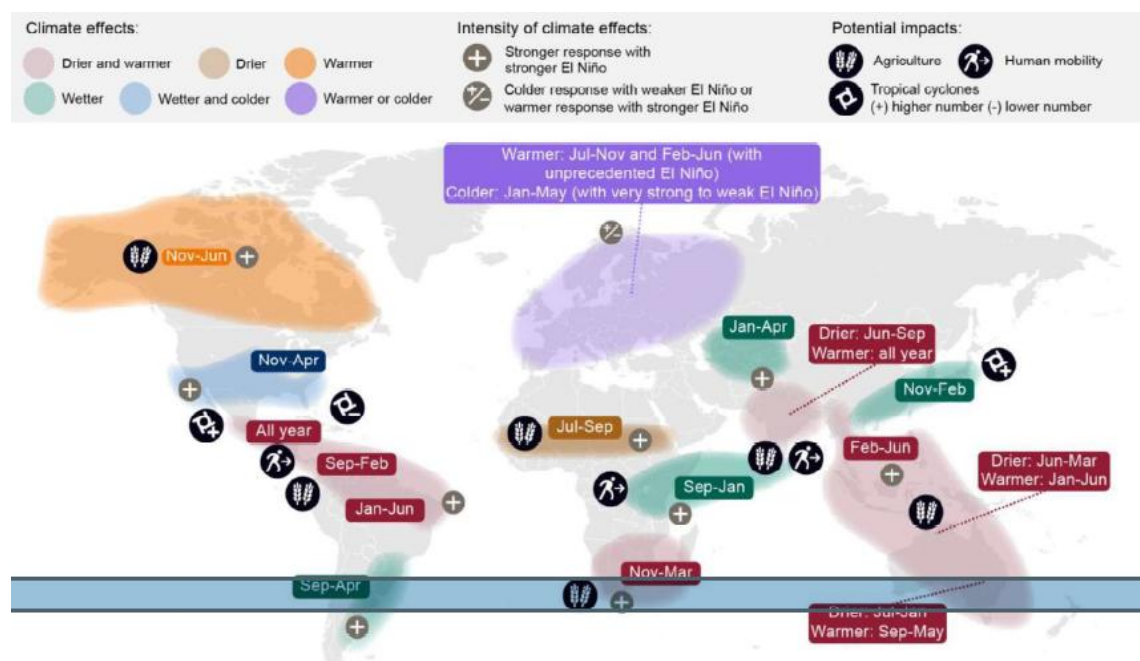
Why this Matters for Welsh Food and Drink Manufacturers

The UK's interest and inflation rates influence both operating costs and consumer demand. Higher inflation increases the cost of key inputs such as ingredients, packaging, energy, transport and labour, placing pressure on profit margins where businesses cannot fully pass on higher costs to retailers or consumers. Higher Bank of England interest rates increase borrowing costs for working capital, equipment purchases and factory investment, making it more expensive for manufacturers to finance growth, improve productivity or invest in decarbonisation. Elevated interest rates can also reduce household spending as mortgage and borrowing costs rise, leading consumers to trade down to lower-cost products or reduce discretionary food purchases.

Spotlight on El Niño

The US National Oceanic and Atmospheric Administration (NOAA) confirmed the emergence of an El Niño event with a (currently) 63% chance of a 'very strong' El Niño⁷⁵. El Niño related shocks will compound the already elevated energy and fertiliser prices, vulnerable supply chains and geo-political tensions. Likely consequences include droughts, floods and heat stress affecting agricultural production, falling labour productivity, water availability, hydropower generation and transport systems, leading to higher food and energy prices and inflationary pressure. The EU Joint Research Council published a report, "From forecast to risk: an anticipatory analysis of the 2026-27 El Niño"⁷⁶ which summarised the main impacts. The map below shows the key climate effects, the intensity of those effects and the potential impacts on agriculture, human mobility and tropical cyclones.

Major impacts and main climate effects of El Niño events.



Source: EU Joint Research Council "From forecast to risk: an anticipatory analysis of the 2026-27 El Niño"

⁷⁵ <https://www.noaa.gov/news-release/el-nino-forms-expected-to-strengthen-say-noaa-forecasters>

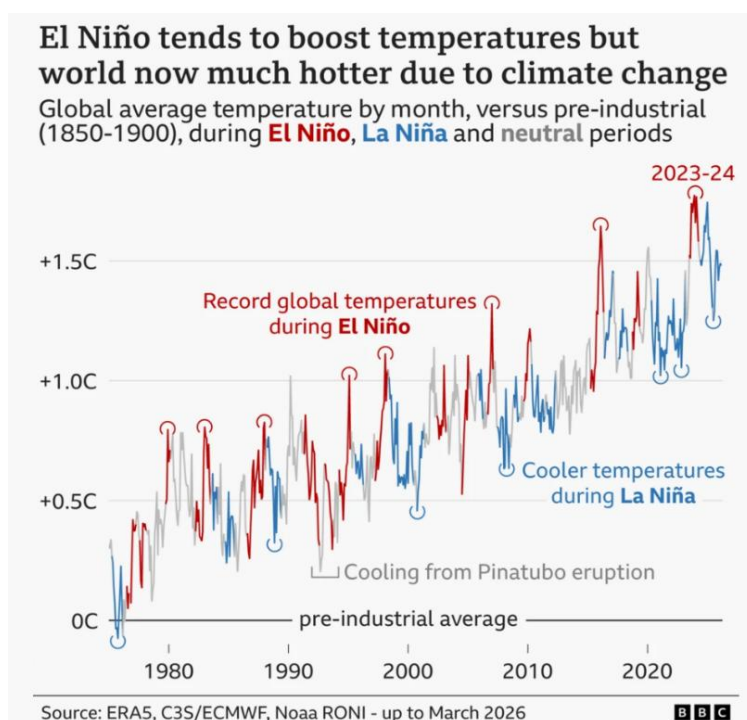
⁷⁶ Acosta Navarro, J., Toreti, A., Bavera, D., Barantiev, D., Carioli, A. et al., From forecast to risk: an anticipatory analysis of the 2026-27 El Niño, Publications Office of the European Union, Luxembourg, 2026, <https://data.europa.eu/doi/10.2760/8279279>, JRC147365.

The map shows:

- Extreme heat across the tropics and subtropics which build from September, peak in December – February and persist through to May 2027
- The more intense the El Niño, the earlier and longer the heat anomalies will last. Significant heat may emerge as early as June.
- Northern Eurasia and parts of North America may experience colder-than-normal conditions around the winter months
- If El Niño emerges as an unprecedented event, warmer conditions are expected to occur late 2026 and intensify in spring 2027 over the entire Eurasia region
- Agricultural drought and water stress can persist months after the El Niño peak
- Australia and Southeast Asia may face multi-season drying
- Southern Africa, Central America, northern parts of South America and India may face significant drought events during their rainy seasons
- Southeastern parts of South America and Western United States may face enhanced rainfall from autumn through to spring.
- El Niño will shift tropical storm activity, with more typhoons in the western Pacific

A very strong El Niño lifts global air temperatures, releasing heat stored in the ocean into the atmosphere, adding to the already increasing global temperatures. The chart on the right, taken from the BBC News website⁷⁷, shows the peaks of temperatures caused by El Niño, along with the cooler temperature troughs which are experienced during La Niña. The overall trajectory of the graph shows temperatures trending upwards since before 1980.

Source: BBC News website, 11th June 2026



El Niño Consequences for the Food Industry

Reuters reported that highly exposed crops such as **rice, palm oil, sugarcane and coffee** could experience price surges of 50% to 100%, or more. These increases may be amplified by panic buying,

⁷⁷ [El Niño has begun, scientists say, and could bring record heat - BBC News](#)

speculative trading and government interventions such as export bans to protect domestic food security⁷⁸.

Reuters further reported on 16th June 2026 that Australia's weather bureau warned that El Niño could be one of the strongest in seven decades and could be particularly damaging to the country's agricultural production. The 2015/16 El Niño was one of the strongest and led to widespread drought and reduced grain and oilseed output. **Australia is amongst the world's largest exporters of wheat, sugar and beef, putting pressure on global prices for these commodities.**

Commodities grown in **tropical regions** can be particularly exposed to El Niño impacts⁷⁹:

Commodity	Growing regions/countries	Impacts
Cocoa	West Africa	Double the normal rainfall, with cocoa trees exposed to fungal disease. Then intense heat and unseasonably dry, strong winds, which caused disease-weakened trees to drop flowers
Robusta coffee	Vietnam and Indonesia	Higher temperatures and reduced rainfall during the crop development phase, impacting harvests. The 2015/16 El Niño led to overall dry conditions reducing Vietnam's yield by circa 2.2m bags (60kg bags). Indonesia experienced the same dry conditions reducing the country's output by about 13% ⁸⁰ .
Arabica coffee	Brazil	More nuanced impacts, and potentially positive as higher temperatures could prevent harmful winter frosts. However, extended periods of dryness and heat in Brazil's coffee regions in the fourth quarter when the next crop is developing could damage 2027 output. Brazil's 2024 harvest was smaller than anticipated due to the compounding effects of El Niño ⁸¹ .
Sugar	Brazil, India, Thailand	Excess rain in the second half of the year could disrupt and reduce the quality of Brazil's sugar harvest. India and Thailand will experience reduced rainfall during the summer monsoon, during the crop development phase, potentially cutting India's output

The Guardian reported that analysts at Goldman Sachs have warned that the strength of the 2026/27 El Niño could result in a nearly 16% increase in global food commodity prices. However, it may take until the second half of 2028 for these consequences to be fully realised⁸².

⁷⁸ [‘Super’ El Nino could trigger a global food price shock. Here’s how companies can prevent the next crisis | Reuters](#)

⁷⁹ [Explainer: Why a strong El Niño leaves tropical commodities acutely exposed | Reuters](#)

⁸⁰ <https://www.coffeetradingacademy.com/post/el-ni%C3%B1o-guide-for-the-coffee-market-part-2>

⁸¹ <https://www.thepourover.coffee/what-would-a-super-el-nino-mean-for-coffee/>

⁸² [‘Super’ El Niño could cause global food price shock lasting into 2028, analysts say | Global economy | The Guardian](#)

Why this Matters for Welsh Food and Drink Manufacturers

This year's developing El Niño has the potential to disrupt global agricultural production and increase volatility in the prices and availability of key imported ingredients, feed, packaging materials and energy. The World Meteorological Organization (WMO) and the UK Met Office indicate that the 2026 El Niño is likely to be moderate to strong, with the potential to become a very strong event, increasing the risk of droughts, heatwaves and floods in major food-producing regions. These conditions can reduce harvests of commodities such as rice, sugar, palm oil, coffee and cocoa, while also affecting livestock production and international shipping. Although the direct weather impacts in the UK are generally limited, Welsh food and drink manufacturers are exposed through global supply chains and may face higher input costs, longer lead times and greater price volatility.

Outlook and Considerations

The Climate Change Committee (CCC) recently published its **Fourth Independent Assessment of UK Climate Risk (CCRA4-IA)**⁸³ which reinforces that climate change is no longer a future concern but a present-day business risk. The assessment concludes that the UK is **"built for a climate that no longer exists"** and warns that heat, drought and flooding are already disrupting food production, infrastructure and supply chains. The report emphasises the importance of adaptation for business resilience.

The assessment is particularly relevant following the UK's **two early-season heatwaves in May and June 2026**, culminating in the Met Office issuing only the **second Red Extreme Heat Warning** on record for parts of England and Wales⁸⁴. June temperatures reached a record **37.3°C**, with widespread disruption to transport, public services and businesses, illustrating the type of extreme weather that the CCC expects to become increasingly frequent in a warming climate.

For food and drink manufacturers, the CCC highlights **growing risks from heat stress affecting crops and livestock, declining forage yields, water scarcity, flooding, new pests and diseases, and damage to transport and energy infrastructure**. The assessment also identifies increasing **vulnerability of refrigerated food supply chains**, with higher temperatures reducing the efficiency of cold storage and distribution while increasing energy demand and operational costs. As the UK remains heavily reliant on imported food, **climate impacts overseas are expected to compound domestic risks** through reduced availability, price volatility and disruption to global supply chains. The CCC concludes that climate resilience should become a core business priority, requiring investment in water efficiency, cooling systems, resilient infrastructure, diversified sourcing and climate-informed business continuity planning to safeguard future food security.

The developments highlighted in this report reinforce that **food supply chain disruption is no longer an exceptional event but an increasingly persistent business risk**. Climate-related weather extremes, volatile commodity and energy markets, transport disruption, geopolitical instability, and changing economic conditions are likely to continue affecting the availability, cost and reliability of raw materials and packaging.

⁸³ <https://www.theccc.org.uk/publication/a-well-adapted-uk/>

⁸⁴ <https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2026/met-office-issues-red-warning-for-extreme-heat-for-record-third-consecutive-day>

Building resilience requires a proactive approach to risk management. Welsh food and drink manufacturers should **review supply chain vulnerabilities**, diversify suppliers and source locations where feasible, strengthen relationships with key suppliers, monitor emerging global risks and commodity markets and develop contingency plans for critical ingredients and logistics.

Investing in **energy efficiency, water stewardship, cold chain resilience and resource productivity** can also help reduce operating costs while improving resilience to future shocks.

Scenario planning, appropriate stock management, and greater collaboration with customers, suppliers and industry networks will enable businesses to respond more effectively to disruptions as they emerge.

Forecasting and cashflow models should be regularly reviewed and updated to reflect anticipated commodity price increases and ensure sufficient working capital to manage those increases.

Appendix 1 – Methodology

This report is based on desk research. It synthesises data and insight from a variety of reputable sources. The intention of the report is to bring together these data sources into a convenient, quarterly Food and Drink Climate and Supply Chain Risks Monitor. Whilst the aim is to focus predominately on climate-related food supply chain risks, where other critical risks and impacts are observed and will compound climate-related risks, such as the US-Israel-Iran war, these will also be included.

Many of the data sources included in this analysis, particularly commodity price data, are available only at the UK or global level rather than for Wales specifically. This reflects data availability constraints, as detailed commodity-level trade statistics are not typically produced for Wales. However, these data remain relevant because Welsh food and drink manufacturers are affected by the same UK and global market conditions and commodity price movements and source raw materials, ingredients and commodities from across the UK and overseas.

Data limitations

This report draws on a range of secondary datasets, including global commodity price indices, trade and production statistics, and climate and risk indicators. These sources are subject to limitations, such as reporting time lags, retrospective revisions to production and stock estimates, and inconsistencies in country-level coverage and methodology. Commodity prices may reflect futures market sentiment rather than physical availability, while agricultural output data often relies on modelled estimates or self-reported national statistics of varying accuracy. Climate and weather datasets are subject to spatial resolution constraints and may not capture highly localised impacts (e.g. flooding or drought at farm level). As a result, the analysis should be interpreted as indicative of directional risk rather than a precise or real-time assessment of supply chain conditions.

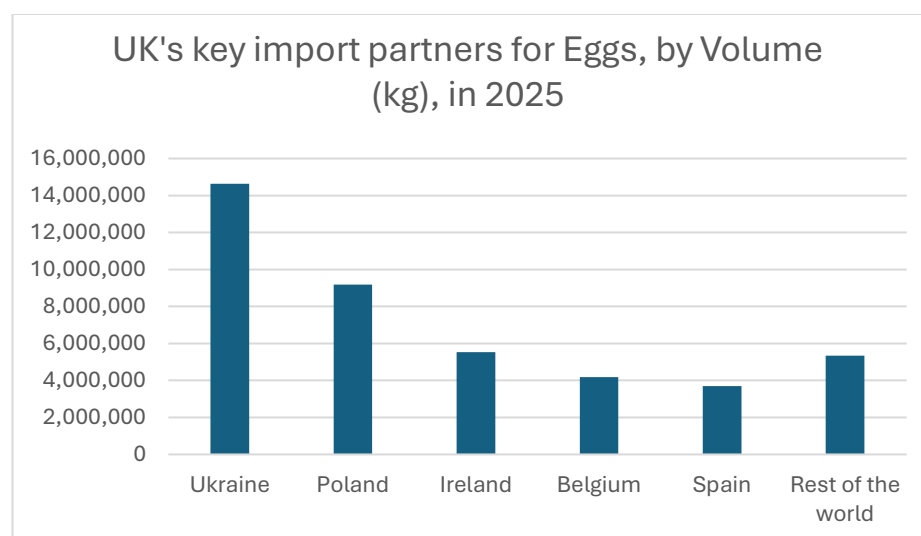
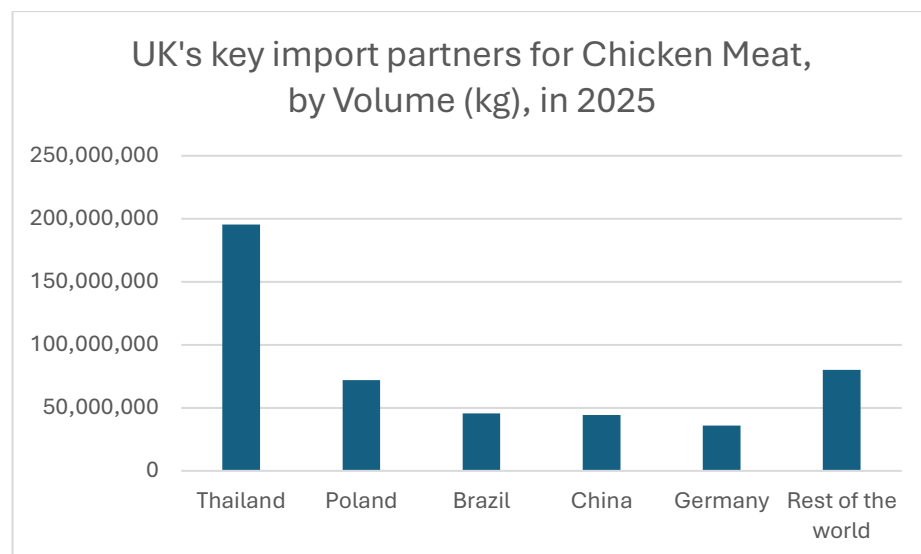
Sources

All sources have been verified. Data has been accessed during June and July 2025, depending on release dates. The list of sources includes, amongst others:

- Agriculture and Horticulture Development Board (AHDB)
- BBC
- Climate Change Committee
- Copernicus
- European Union Joint Research Centre
- Food & Agriculture Organisation Agricultural Market Information System (AMIS)
- His Majesty's Revenue & Customs (HMRC) trade data
- Institute of Grocery Distribution (IGD)
- National Oceanic Atmospheric Administration (NOAA)
- Reuters
- Trading Economics
- UK Met Office
- United States Department of Agriculture (USDA)
- World Bank Group

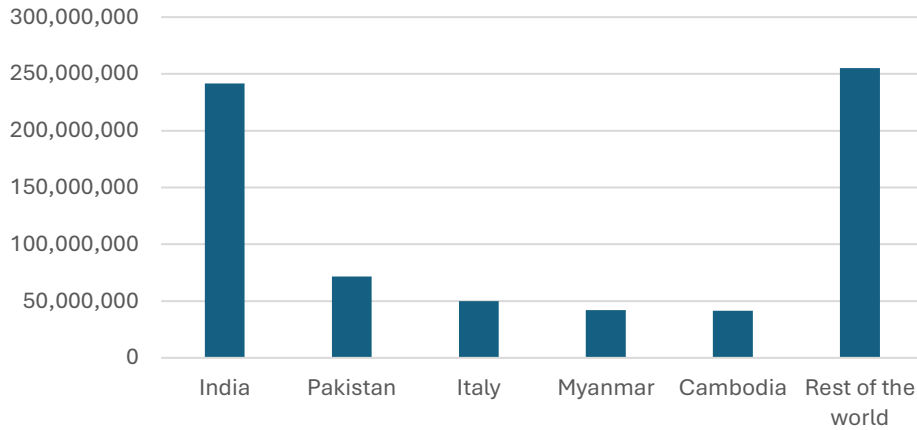
Appendix 2 – 2025 Import Data based on HMRC UK Trade Information

Animal protein

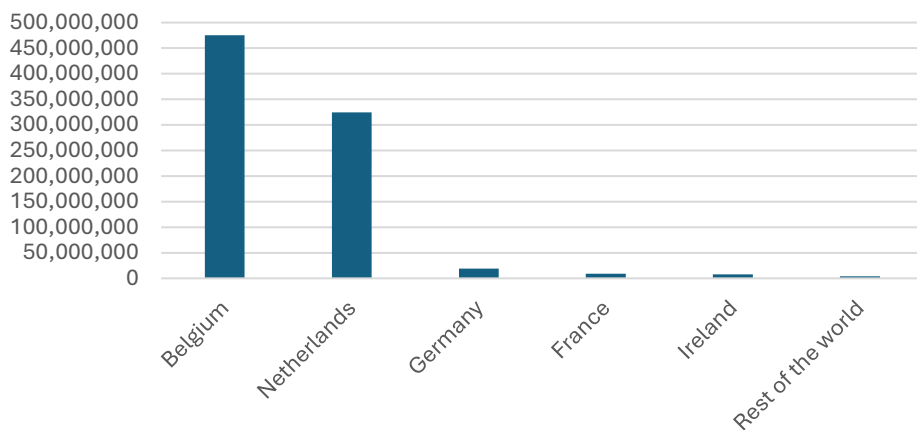


Carbohydrates

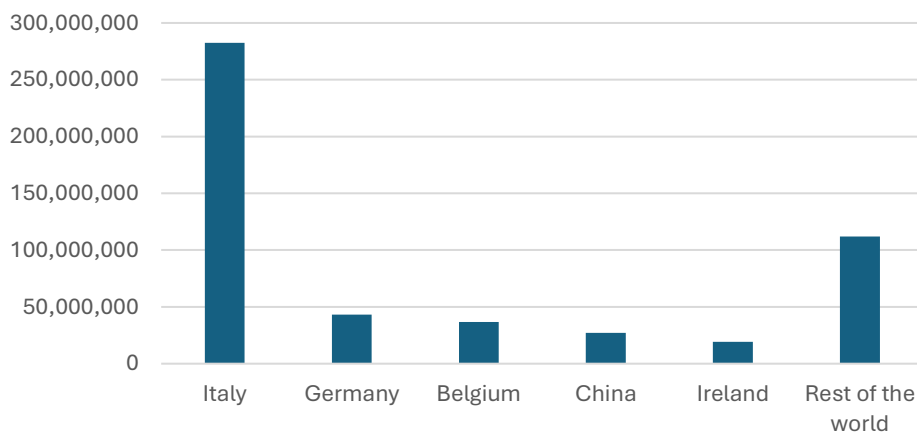
UK's key import partners for rice, by Volume (kg), in 2025



UK's key import partners for Potatoes, by Volume (kg), in 2025

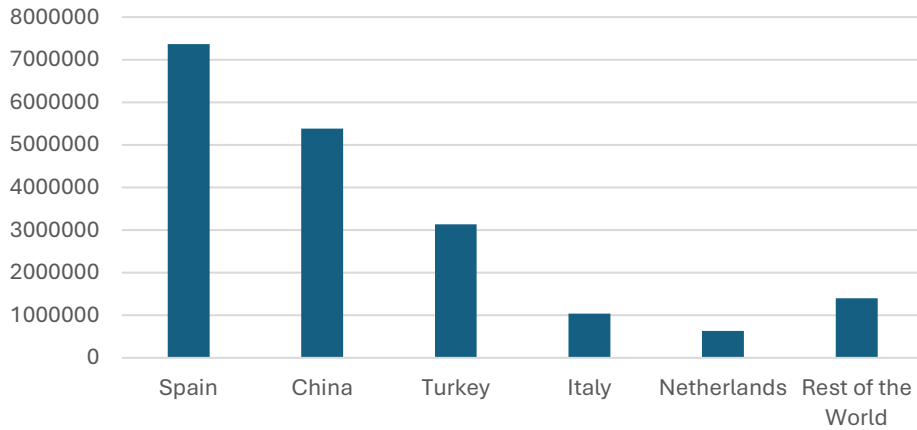


UK's key import partners for Pasta, by Volume (kg), in 2025

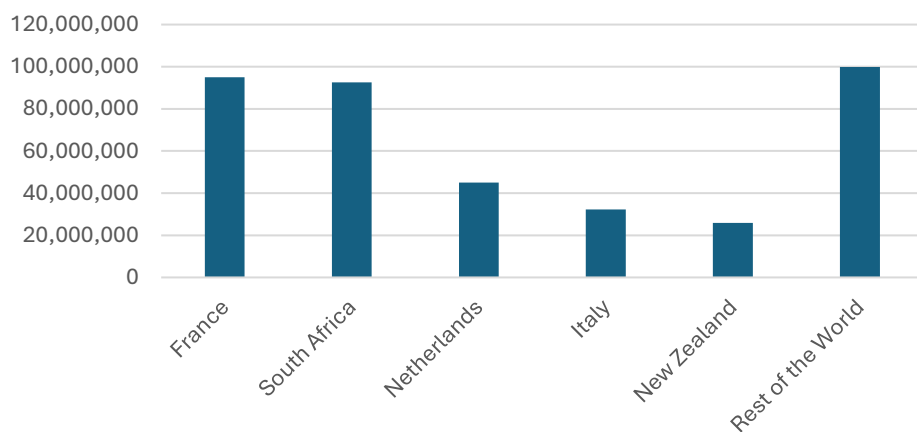


Fruit and vegetables

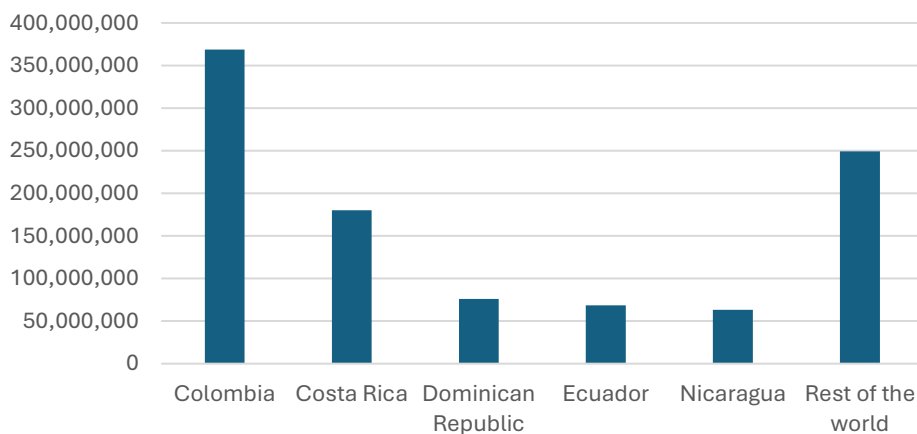
UK's key import partners for Citrus Fruit, by Volume (kg), in 2025



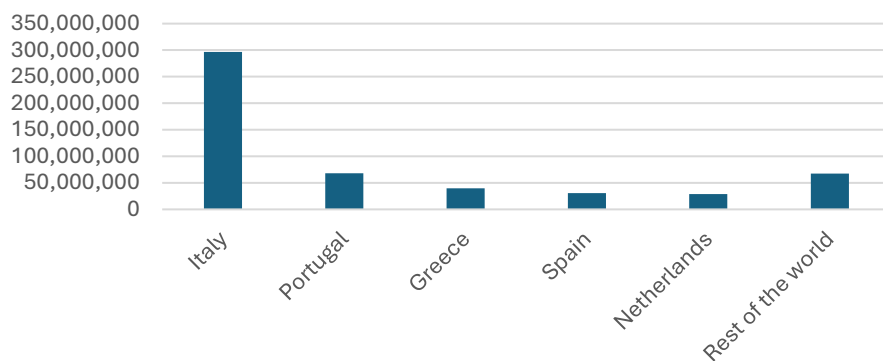
UK's key import partners for Apples & Pears, by Volume (kg), in 2025



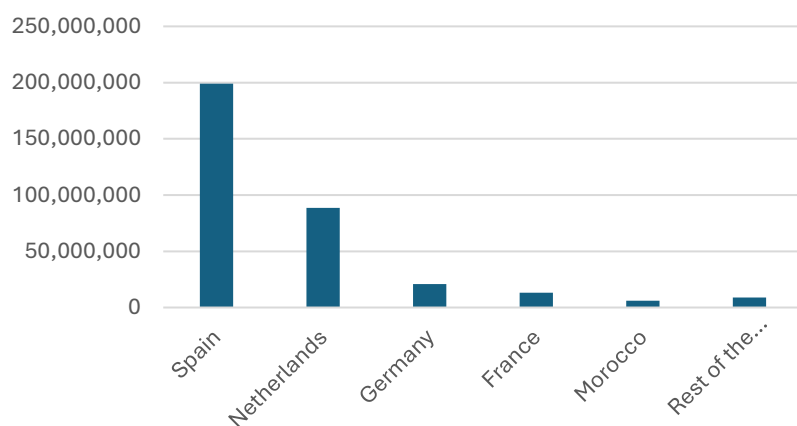
UK's key import partners for Bananas, by Volume (kg), in 2025



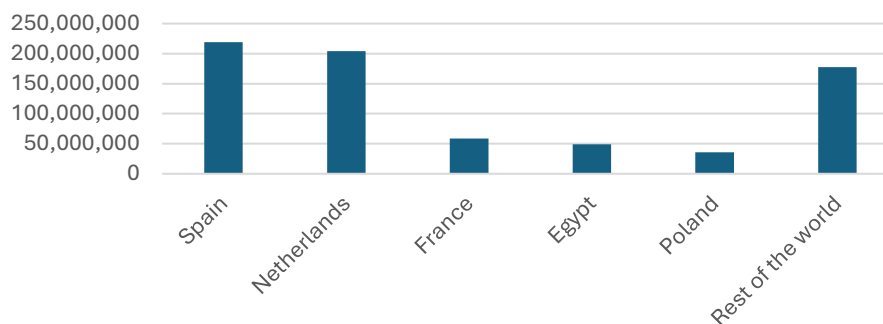
UK's key import partners for Tomatoes, by
Volume (kg), in 2025



UK's key import partners for Lettuce & Cucumbers,
by Volume (kg), in 2025



UK's key import partners for Onions,
Cabbages, Brassicas, Carrots, Turnips,
Leguminous Vegetables, by Volume (kg), in
2025



Source: The above import figures use an Overseas Trade in Goods Statistics (OTS) extract produced by HM Revenue & Customs (HMRC) which was accessed on 13th May 2026

Appendix 3 – Summary of Sustainability and Climate Resilience Services

Food Division – Climate related support for Food and Drink businesses

The Sustainable Futures team delivers practical funded support to Welsh food and drink manufacturers to improve efficiency and strengthen business resilience.

The Sustainability Service

The service supports Welsh food and drink manufacturers on their sustainability journey. Our Carbon Reporting offer aligns with GHG Protocols and Public Procurement methodologies. The Service also manages the Sustainability Cluster; a network focused on collaboration. Including targeted support for B Corp certification.

The Climate Resilience Service

The Climate Resilience Service helps businesses assess their risks to climate impacts and safeguard business continuity in the face of climate disruption.

As part of this offer, businesses can access free, bespoke on-site sessions for senior leadership teams, helping them develop practical resilience strategies. The Service also publishes the Food and Drink Climate and Supply Chain Risks Quarterly Monitor.

For more information on how to access the support above, please contact sustainablefd@gov.wales

Other Food Division support programmes for Food and Drink businesses

Food Business Accelerator Scheme – grant scheme designed to improve business performance, competitiveness, efficiency.

Blas Cymru (Taste Wales) - promotes Welsh food and drink on a domestic and international stage.

Trade Development Programme – supports food and drink businesses to grow and create jobs through engagement with retail, foodservice and wholesale trade.

Scale-Up & Cluster Network – the cluster network drives collaboration between businesses. The Scale Up Programme provides the tools and mechanisms required for businesses to be resilient and to prosper and overcome the barriers to scale up.

Export Development Programme - showcasing Welsh food and drink to an international audience of buyers, distributors, and influencers, and attracting inward investment.

Food Innovation Wales / Helix programme - Helix Programme brings together four Food Centres across Wales and provides technical and operational support on all aspects of food manufacturing.

Cywain – providing food and drink SMEs with expert advice, knowledge and skills to develop and grow.

Food & Drink Skills Wales supports food and drink businesses with a focus on processing and manufacturing industry to ensure employees have the right skills and training for their business.

[Market insight](#) – up-to-date intelligence on the food and drink sector, along with foresight into future market developments.

[Local Food Partnerships](#) - tackling food poverty, strengthening local food supply chains and driving green growth.

For more information on how to access the support above, please contact

FoodDivisionalBusiness@gov.wales

Other agricultural support programmes

The [Agricultural Diversification and Horticulture Scheme](#) supports primary producers to expand production, diversify into new crops, and enhance product quality.

The [Sustainable Farming Scheme](#) is the Welsh Government's primary support framework from 2026 and applies to horticulture alongside agriculture.

Sustainable Agriculture Loan Scheme (SALS) pilot [DBW - Loans for Welsh Businesses](#) designed to improve access to affordable finance for Welsh farming businesses.

The [Agricultural Diversification and Horticulture Scheme](#) supports growers to invest in technology and equipment to enable horticultural businesses to sustainably expand production.

The [Growing for the Environment scheme](#) is directly relevant to horticulture as it supports crop-based interventions such as cover cropping.

Small Grants:

- Environment scheme
- [Efficiency scheme](#)
- [Peatland Restoration Grant](#)
- [Horticulture Start-Up scheme](#)
- [Woodland Restoration Scheme](#)

[Farming Connect](#) helps growers adopt climate-smart practices, including soil management, carbon reduction, and sustainable production techniques, underpinning delivery of climate outcomes across the sector.

[Rural Payments Wales \(RPW\) Online](#)

[Sustainable Agriculture Loan Scheme - Dev Bank](#)