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U.N. Warns Middle East Conflict Is Triggering a Global Food and Energy Shock

Higher fuel, fertilizer and shipping costs are squeezing brewers, winemakers and spirits makers across fragile supply chains

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The United Nations is warning that the Middle East conflict is no longer only a security crisis. It is becoming a food and energy shock with direct consequences for the global drinks business, from beer and spirits to wine, as higher fuel costs, disrupted shipping

lanes and more expensive farm inputs spread through supply chains.

The warning came this month from the World Food Programme, whose acting executive director, Carl Skau, said the conflict involving the United States, Israel and Iran, along with the disruption of traffic through the Strait of Hormuz, is pushing millions of people toward acute hunger. The agency said projections issued in March have now become reality in several vulnerable countries. Somalia could see 2.5 million more people at risk, Afghanistan 2.3 million and Sri Lanka 1.3 million, according to WFP and related U.N. assessments published in recent weeks.

For the alcohol industry, the same forces behind that food emergency are raising costs at nearly every stage of production and distribution. Fuel is more expensive. Fertilizer is harder to secure. Ocean freight is slower and less reliable. Glass packaging has become costlier to make and move. Consumers in many markets are also cutting discretionary spending.

The disruption intensified after hostilities in the Gulf led to an effective closure of the Strait of Hormuz at the end of February, according to shipping and trade reports cited by logistics firms and international agencies. Major carriers including Maersk, MSC, CMA CGM and Hapag-Lloyd suspended transits through the area. Industry estimates cited by supply chain analysts show maritime traffic through one of the world’s most important chokepoints fell by about 70%, leaving hundreds of vessels delayed or rerouted.

That has forced many ships traveling between Asia and Europe to sail around the Cape of Good Hope instead of using shorter routes linked to Suez and Gulf access. The detour adds roughly 3,500 to 4,000 nautical miles and can extend transit times by 10 to 14 days, with some shipments delayed even longer because of port congestion.

For wine exporters, especially those sending bottles from Europe to Asia, that delay creates both financial and quality risks. Longer voyages expose wine and craft beer to wider temperature swings. Importers and exporters have had to compete for refrigerated containers at a time when equipment shortages are worsening. Freight forwarders serving wine and spirits producers say emergency fuel surcharges and war-risk charges were imposed quickly after insurers pulled back standard coverage in parts of the Gulf.

Some shipping studies cited by industry analysts suggest that if oil remains near $150 or rises toward $200 a barrel, moving a 40-foot container on major trade lanes could cost $10,000 to $15,000. At those levels, lower-priced wine exports packed in heavy glass become difficult to justify economically. Beer shipments face similar pressure because margins are thinner and transport costs account for a larger share of final value.

The delays are also creating secondary problems in ports far from the Gulf. In Spain and elsewhere in the Mediterranean, logistics analysts have reported “vessel bunching,” with ships arriving in clusters after longer rerouted voyages. Barcelona has recorded a 23.9% increase in transshipment traffic, according to Spanish logistics reporting. Congestion raises storage charges and increases the risk that carriers will skip planned port calls to recover time, forcing importers to retrieve cargo through other European gateways at added cost.

At the farm level, brewers and distillers are facing another problem: fertilizer inflation tied directly to natural gas markets. Nitrogen fertilizers such as urea and ammonia depend heavily on gas both as fuel and feedstock. The Gulf region accounts for roughly 30% to 35% of global urea exports and up to 30% of ammonia exports, according to agricultural market reports cited by FAO-linked analyses. With Hormuz disrupted and liquefied natural gas supplies affected after attacks on regional energy infrastructure, fertilizer availability tightened during a key planting period.

FAO estimated fertilizer prices would rise by 15% to 20% during the first half of this year. Farm surveys in major producing regions found about 70% of growers said they could not afford all the fertilizer they needed. Diesel used in fieldwork also rose sharply, with some surveys pointing to increases of 46%. That combination threatens yields for grains central to alcohol production, especially barley.

Barley is essential for brewing and malt whisky production, but it also competes with feed markets when wheat supplies tighten or prices rise. That means brewers can be squeezed from both sides: farmers may plant less malting barley because input costs are too high, while livestock producers may buy more feed barley as a substitute for other grains. IMF commodity data show global barley prices rose from $117.20 a metric

ton in March to $124.97 in May before easing slightly in June to $122.82. Those prices remain below the peaks seen during earlier geopolitical shocks, but processors say real costs are higher once energy, drying and freight are included.

Craft brewers are especially exposed because they rely heavily on premium malting barley varieties and often lack the purchasing power or hedging tools available to multinational groups. Maltsters must absorb higher grain costs along with higher natural gas bills for drying and processing before passing those increases down the chain.

Wine producers face a different industrial weakness: glass. Bottle manufacturing is one of the most energy-intensive processes used in beverage packaging. The U.S. Energy Information Administration has said about 73% of energy used in glassmaking comes from natural gas. In normal conditions, energy accounts for around 14% of bottle production costs. When gas prices spike, bottle makers have little room to absorb the increase.

That matters because wine, beer and spirits still depend heavily on glass packaging even as transport economics worsen. During earlier energy crises, German brewers reported bottle cost increases as high as 140% year over year. Producers now face a similar squeeze from both manufacturing costs and freight costs tied to moving heavy empty bottles across long distances.

The result is accelerating interest in alternative packaging once considered marginal for premium alcohol categories. Aluminum cans continue gaining ground beyond mainstream beer into ready-to-drink cocktails, sparkling wine products and canned wine formats. Market researchers estimate the global aluminum can market will reach $55.6 billion this year and continue expanding steadily through the next decade.

PET bottles are also drawing attention because they are much lighter than glass. Packaging studies cited by wine industry analysts say a modern PET bottle can weigh about 60 grams compared with roughly 460 grams for a glass equivalent, making it about 87% lighter. That can reduce freight costs by up to 30%, though concerns remain about oxygen permeability for wines intended for aging.

Carton packaging is advancing as well, particularly for entry-level wine and ready-to-drink beverages. Tetra Pak and other suppliers say newer aseptic formats use far less material than glass and cut manufacturing energy needs sharply. Their rectangular shape also improves pallet efficiency at a time when every cubic foot inside a container matters more.

These packaging shifts are happening just as consumer demand weakens in many mature markets. Industry data from IWSR show total alcohol volume across 21 leading markets fell by 2% in 2025 while total sales value dropped by 4%. That reversal matters because it suggests consumers are not only buying less alcohol but also trading down into cheaper products instead of continuing the long-running premiumization trend that had supported profits for years.

The pressure is visible in household budgets. U.S.-based inflation tracking cited by beverage analysts shows overall consumer prices rose by 39.1% between January 2015 and January 2026, while alcohol prices increased by 25.2%. Even though alcohol inflation has lagged broader inflation over that period, consumers facing higher bills for food, gasoline and utilities are cutting back on bars, restaurants and premium bottles.

Beer sold for home consumption rose by 31.7% over that decade in those data sets, compared with just 10.5% for spirits and 7% for wine. But lower relative inflation has not protected demand fully because alcohol remains discretionary spending for many households.

Two categories continue to outperform despite that backdrop: ready-to-drink beverages and no- or low-alcohol products. IWSR data show RTD volumes grew by 2% last year while value rose by 4%. Producers say these products appeal to consumers who want convenience, portion control and lower upfront spending than buying full-size premium spirits bottles.

No- and low-alcohol drinks are benefiting from health concerns and changing habits among younger adults. Market forecasts cited by industry researchers suggest the U.S. adult nonalcoholic beverage segment could exceed $1 billion this year. For producers, these drinks can also offer attractive margins because they avoid some alcohol taxes while fitting wellness-focused marketing strategies.

Large companies are already restructuring around this new environment. Heineken said earlier this year that it would cut about 6,000 jobs worldwide, or roughly 7% of its global work force, under its EverGreen 2030 strategy as it seeks €500 million in productivity savings. In its first-quarter update, Heineken reported total volume growth of 1.2% and net revenue growth of 2.8%, but executives warned that high energy costs, war-driven inflation linked to Iran and weaker consumption in the Americas were weighing on performance.

AB InBev has focused more openly on supply-chain resilience through sustainability targets tied to farming inputs and factory efficiency. The brewer says it aims for a 15% improvement in energy efficiency at its facilities by 2030 along with a 35% reduction in emissions across its value chain. Those goals reflect not only climate policy but also concern over exposure to volatile grain and fertilizer markets.

In spirits, Diageo and Pernod Ricard have shown different levels of resilience as demand slows. Analysts following both groups say Pernod Ricard’s tighter focus on higher-end brands has helped protect margins better than Diageo’s broader portfolio strategy aimed at multiple price tiers. Diageo’s fiscal third-quarter statement showed net sales of $4.477 billion for the period ended in March, up 2.3%, but organic growth was just 0.3%. Sales fell sharply in North America by 15% and in Latin America and the Caribbean by 12%, prompting asset sales and an accelerated savings plan targeting $300 million by the end of this year.

Spain offers one of the clearest examples of how these pressures can combine into a broader structural problem for drinks producers. Domestic wine consumption there fell by 4.2% year over year through January to about 9.3 million hectoliters, according to industry figures cited by Spanish trade groups and agricultural publications. Some market series place current consumption even lower depending on channel coverage.

The decline reflects both economics and changing tastes. Younger consumers increasingly choose beer, energy drinks or RTD products over traditional table wine. Supermarket wine sales have weakened as households trim nonessential purchases amid food inflation, while wineries face rising bottling costs without enough pricing power to offset lower volumes.

Spanish producers also face new European packaging rules that begin taking effect this summer under the Packaging and Packaging Waste Regulation known as PPWR. From August onward, companies selling beverages in the European Union will face stricter recyclability standards, limits on certain substances used in packaging components and stronger documentation requirements tied to eco-design compliance.

For wine and spirits companies that rely on elaborate labels, decorative closures or oversized gift boxes, those rules could require redesigns that affect both cost structures and brand presentation. Fees paid under extended producer responsibility systems will increasingly depend on how recyclable each package is.

Another change expected later this year in Spain is a deposit return system for plastic bottles, cans and cartons up to three liters sold into retail channels if implementation proceeds as planned in November. Reports on the proposed system indicate consumers would pay at least €0.10 extra per container at purchase and recover it only when returning empty packages through collection points such as supermarket reverse-vending machines.

Glass wine bottles are largely outside that first phase, but beer makers, cider producers and RTD brands would be directly affected at a time when those categories are among the few remaining growth engines in alcoholic beverages. Retailers would need new equipment and reverse-logistics systems while consumers would face another visible charge at checkout during an inflationary period.

What began as a geopolitical shock centered on oil routes has now spread into agriculture, manufacturing, logistics and consumer behavior across the drinks sector. The same crisis that U.N. agencies say is worsening hunger among poorer countries is forcing brewers to rethink grain sourcing, wineries to reconsider glass bottles and multinational spirits groups to cut costs as demand softens across key markets.