Bwyd a Diod Cymru
Food & Drink Wales

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

June - September 2026

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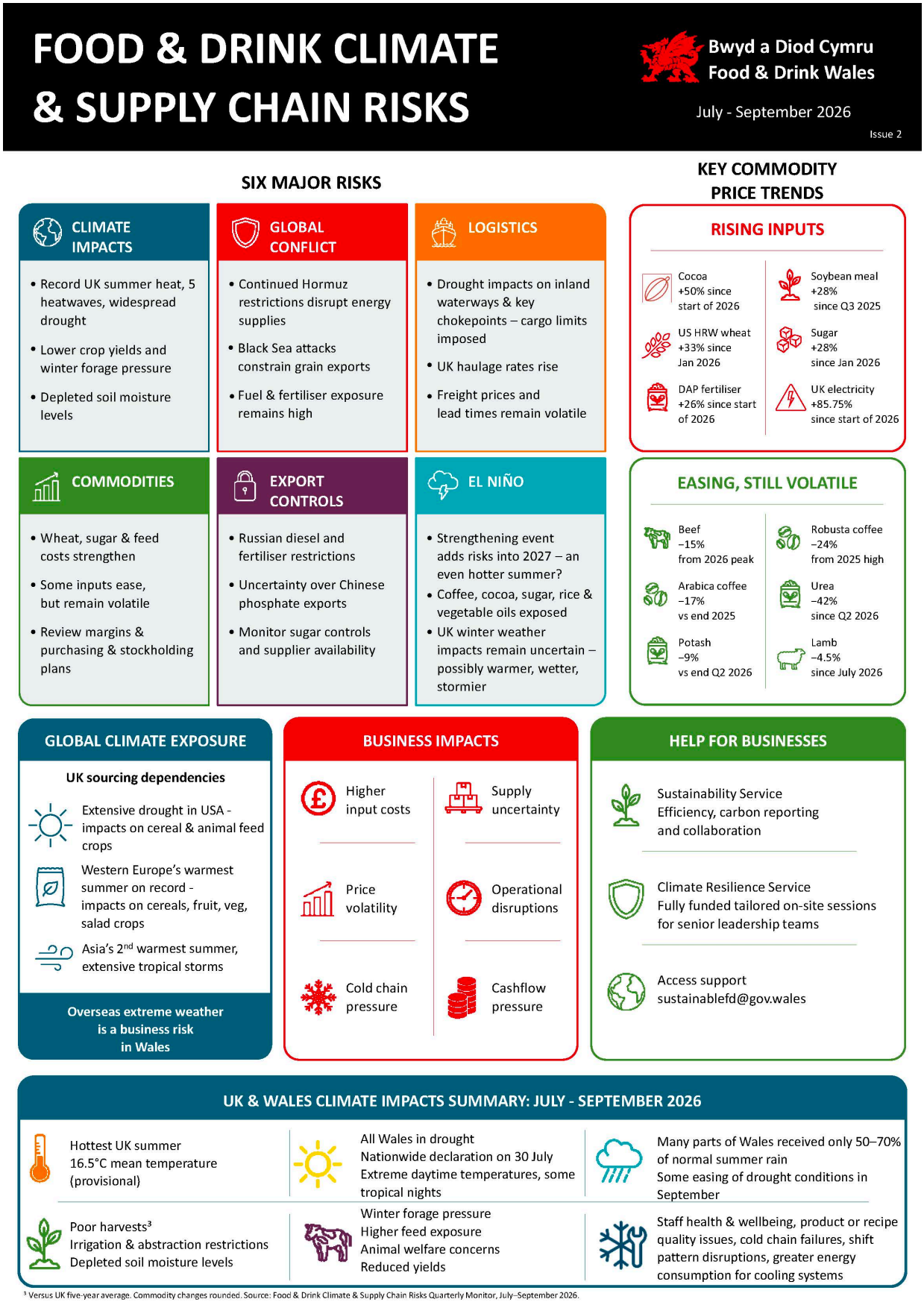
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Introduction

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 July 2026 to 30th September 2026. The infographic on the next page summarises the climate and supply chain risks explored in this report and their relevance to Welsh food and drink manufacturers. Future reports will be published quarterly. Data and information contained in this report is accurate as of 30th September 2026, unless otherwise stated.

Summary


FOOD & DRINK CLIMATE & SUPPLY CHAIN RISKS
Bwyd a Diod Cymru
Food & Drink Wales
July - September 2026
Issue 2
SIX MAJOR RISKS
CLIMATE IMPACTS
• Record UK summer heat, 5 heatwaves, widespread drought
• Lower crop yields and winter forage pressure
• Depleted soil moisture levels
GLOBAL CONFLICT
• Continued Hormuz restrictions disrupt energy supplies
• Black Sea attacks constrain grain exports
• Fuel & fertiliser exposure remains high
LOGISTICS
• Drought impacts on inland waterways & key chokepoints – cargo limits imposed
• UK haulage rates rise
• Freight prices and lead times remain volatile
COMMODITIES
• Wheat, sugar & feed costs strengthen
• Some inputs ease, but remain volatile
• Review margins & purchasing & stockholding plans
EXPORT CONTROLS
• Russian diesel and fertiliser restrictions
• Uncertainty over Chinese phosphate exports
• Monitor sugar controls and supplier availability
EL NIÑO
• Strengthening event adds risks into 2027 – an even hotter summer?
• Coffee, cocoa, sugar, rice & vegetable oils exposed
• UK winter weather impacts remain uncertain – possibly warmer, wetter, stormier
KEY COMMODITY PRICE TRENDS
RISING INPUTS
Cocoa +50% since start of 2026
US HRW wheat +33% since Jan 2026
DAP fertiliser +26% since start of 2026
Soybean meal +28% since Q3 2025
Sugar +28% since Jan 2026
UK electricity +85.75% since start of 2026
EASING, STILL VOLATILE
Beef −15% from 2026 peak
Arabica coffee −17% vs end 2025
Potash −9% vs end Q2 2026
Robusta coffee −24% from 2025 high
Urea −42% since Q2 2026
Lamb −4.5% since July 2026
GLOBAL CLIMATE EXPOSURE
UK sourcing dependencies
Extensive drought in USA - impacts on cereal & animal feed crops
Western Europe's warmest summer on record - impacts on cereals, fruit, veg, salad crops
Asia's 2nd warmest summer, extensive tropical storms
Overseas extreme weather is a business risk in Wales
BUSINESS IMPACTS
Higher input costs
Supply uncertainty
Price volatility
Operational disruptions
Cold chain pressure
Cashflow pressure
HELP FOR BUSINESSES
Sustainability Service
Efficiency, carbon reporting and collaboration
Climate Resilience Service
Fully funded tailored on-site sessions for senior leadership teams
Access support
sustainablefd@gov.wales
UK & WALES CLIMATE IMPACTS SUMMARY: JULY - SEPTEMBER 2026
Hottest UK summer
16.5°C mean temperature (provisional)
All Wales in drought
Nationwide declaration on 30 July
Extreme daytime temperatures, some tropical nights
Many parts of Wales received only 50–70% of normal summer rain
Some easing of drought conditions in September
Poor harvests[3]
Irrigation & abstraction restrictions
Depleted soil moisture levels
Winter forage pressure
Higher feed exposure
Animal welfare concerns
Reduced yields
Staff health & wellbeing, product or recipe quality issues, cold chain failures, shift pattern disruptions, greater energy consumption for cooling systems
[3] Versus UK five-year average. Commodity changes rounded. Source: Food & Drink Climate & Supply Chain Risks Quarterly Monitor, July–September 2026.

Climate Impacts

Wales and UK

This summer has been exceptional and record breaking. The UK Met Office has provisionally called the summer the hottest on record for the UK[1], with the average mean temperature of 16.5°C. The five warmest UK summers on record are: 2026, 2025, 2018, 2006, and 2003. It was one of the sunniest summers on record and we had the driest July on record. Whilst rainfall arrived in August, many areas saw below average rainfall, particularly in Wales and southern England.

The hot, dry conditions experienced over the summer means 2026 will also be remembered for the high numbers of wildfires across Wales and the wider UK. A briefing note, "Wildfires in summer 2026" by Senedd Research[2] highlighted that, up to 1st September, 28,299 hectares of land across the UK has been burned. By mid-August, Welsh and English Fire and Rescue Services had responded to more wildfires than during the whole of 2025, even though 2025 was the UK's most severe wildfire year on record. A national emergency alert was activated on Friday 14th August[3] warning the public of the very high risk of wildfires.

Chart 1 shows the summer 2026 mean temperature anomaly compared with 1991 - 2020 time series, with most of Wales and England experiencing an anomaly value of 2°C above the average mean temperature for 1991 to 2020.

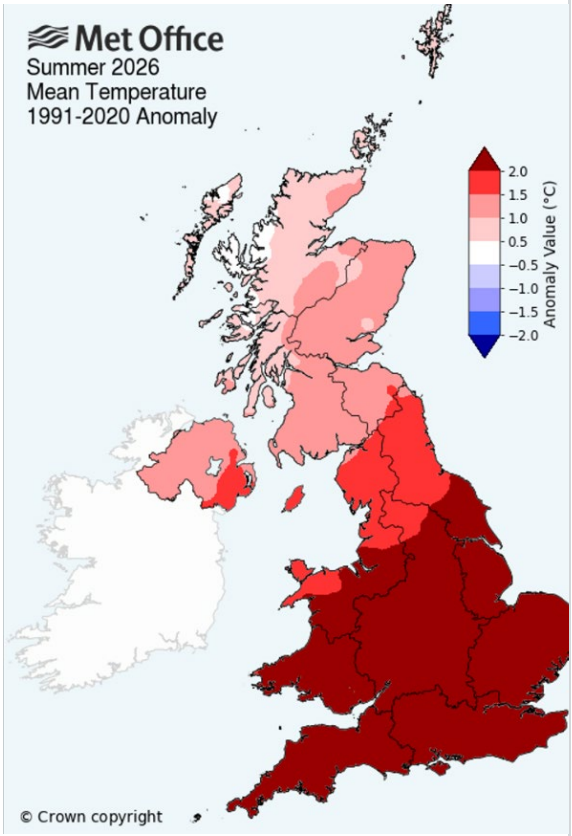
Chart 2 shows that all parts of Wales, the majority of England and large parts of Scotland, experienced lower amounts of rainfall during summer 2026. Many parts of Wales experienced between just 30% to 70% of rainfall when compared to the average rainfall for 1991 – 2020.

On 30th July, Natural Resources Wales extended its drought declaration[4] across the whole of Wales, with lower levels of groundwater and low flowing rivers. The Environment Agency announced drought status for many areas in England on 29th July[5]. Further monitoring into August revealed that 71% of England was in drought[6] with reports of agricultural bore holes drying up, farm reservoirs at critically low levels and over 1,500 abstraction licence restrictions in place, including irrigation reductions in East Anglia.

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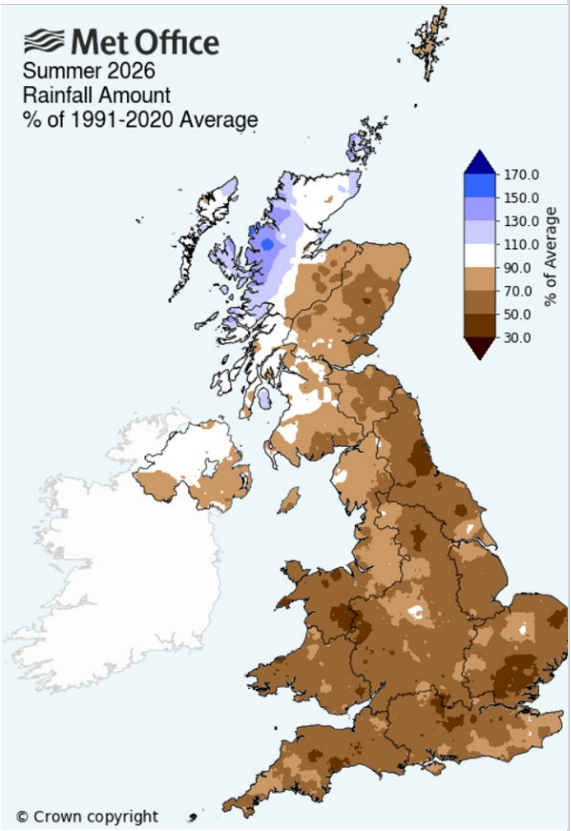
[1] https://www.metoffice.gov.uk/about-us/news-and-media/media-centre/weather-and-climate-news/2026/summer-2026-provisionally-hottest-on-record-for-the-uk
[2] https://research.senedd.wales/research-articles/wildfires-in-summer-2026-in-brief/
[3] https://www.gov.uk/alerts/14-aug-2026-2
[4] https://naturalresources.wales/about-us/news-and-blogs/news/drought-status-extended-across-all-of-wales-as-environment-continues-to-feel-the-strain?lang=en
[5] https://www.gov.uk/government/publications/dry-weather-and-drought-in-england-2026-summary-reports/dry-weather-and-drought-in-england-24-to-30-july-2026
[6] https://www.gov.uk/government/publications/dry-weather-and-drought-in-england-2026-summary-reports/dry-weather-and-drought-in-england-14-to-20-august-2026

CHART 1: SUMMER 2026 MEAN TEMPERATURE 1991 - 2020 ANOMALY



Source: UK Met Office, accessed 30/09/26

CHART 2: SUMMER 2026 RAINFALL AMOUNT % OF 1991 - 2020 AVERAGE

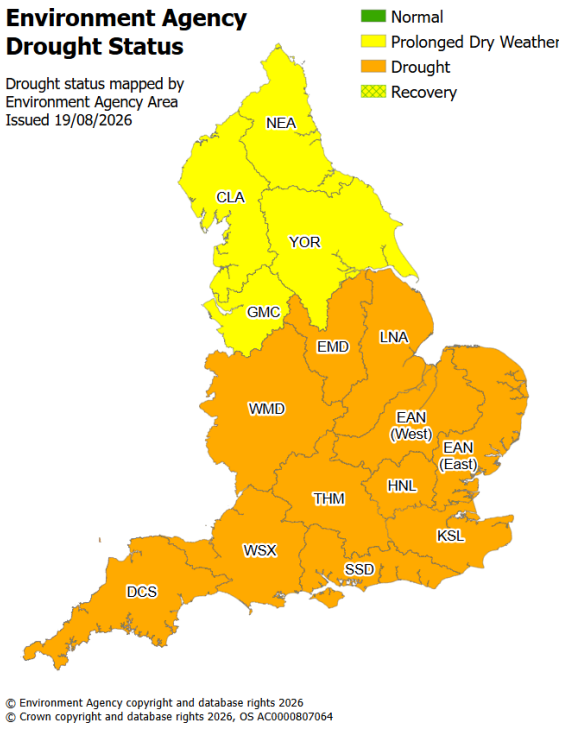


Source: UK Met Office, accessed 30/09/26

Chart 3 shows that all of England was either in drought status or suffering from prolonged dry weather as of 19th August 2026. Many regions in drought, such as Greater Lincolnshire, East Anglia, Kent, Midlands, and Southwest England are key agriculture and horticulture production areas.

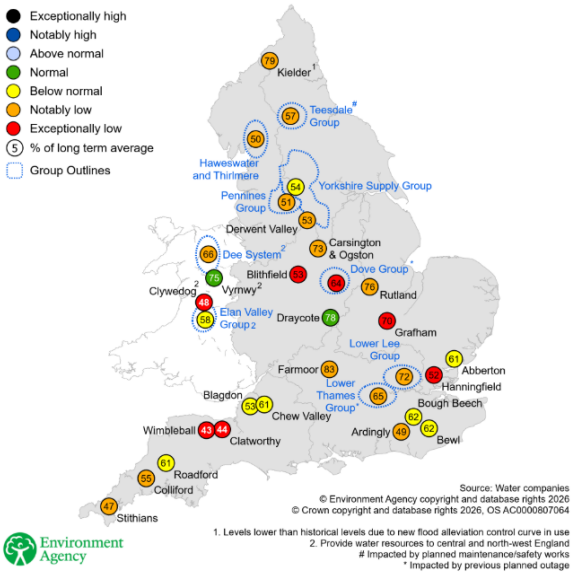
Chart 4 shows the reservoir levels in England and parts of Wales for the week ending 18th August 2026. The red circles are exceptionally low levels, orange is notably low, yellow is below normal and green shows normal levels. There were no reservoirs with above normal or high levels of water.

CHART 3: ENVIRONMENT AGENCY DROUGHT STATUS MAP



Source: Environment Agency, accessed 30/09/26

CHART 4: RESERVOIR STOCKS AT KEY INDIVIDUAL & GROUPS OF RESERVOIRS, WEEK ENDING 18TH AUGUST 2026



Source: Environment Agency, accessed 30/09/26

Trade press and media outlets have highlighted the impacts of the UK's record-breaking summer. The Grocer[7] published an article based on research by the Energy and Climate Intelligence Unit warning of the risks to food production, crop yields and animal welfare. The Guardian[8] reported that wholesale prices of tomatoes had increased by more than 60%, iceberg lettuce by 90% and potatoes by more than 40%. The Agriculture and Horticulture Development Board (AHDB) reported on 31st July[9] that the 2026 harvest was the earliest in at least 20 years, with farmers working through the night to avoid the most extreme daytime temperatures. The final harvest progress report published by AHDB based on data collected up to 21st September[10] noted 'very disappointing yields', with winter wheat and spring barley being 11% and 17% respectively below the UK five-year average.

[7] Drought and wildfires threaten food production across Europe | The Grocer
[8] 'Worst we've known': UK turns to imports as drought and heat hit vegetable crops | Food & drink industry | The Guardian
[9] https://ahdb.org.uk/news/2026-harvest-is-earliest-in-at-least-20-years-first-report-published
[10] https://ahdb.org.uk/cereals-oilseeds/gb-harvest-progress

The 2 Sisters Food Group poultry processing plant in Devon was unable to operate because of water supply restrictions, forcing them to adopt contingency measures, including bringing water to the site by tanker[11]. The BBC[12] reported in September that the Environment Agency said around 120% of typical rainfall is needed between September and April 2027 for all English drought areas to be considered out of drought.

Cold supply chains were strained through the heatwaves, with multiple reports of refrigeration failures in retailers and increased requirements for temperature-controlled transport and storage to keep food safe.

The Energy & Climate Intelligence Unit (ECIU) published a report on grass growth in August[13], noting that growth averaged 28kg of dry matter per hectare per day in the week ending 31st July, which was 46% below the 2019-24 average for the same period. The ECIU projected that the 2026 season is likely to be between 77% and 86% of the 2019-24 average, impacting feed and fodder availability, animal productivity and welfare, and farm economics.

The impacts of extreme heat and drought have been felt across primary production. Analysis from the ECIU[14] and based on industry data suggested that potato harvests across the UK, Germany, France, Belgium and the Netherlands are likely to be down by 3.5 million tonnes, with British potato farmers facing losses of between £80m and £169m. Another analysis by ECIU[15] notes that extreme heat and drought contributed to a reduction in daily milk output, totaling 240 million fewer litres of milk and worth over £83m. Many farmers have already begun feeding winter fodder to cattle, leaving the farmers more exposed to hay, silage and other feed price spikes in the winter.

Europe

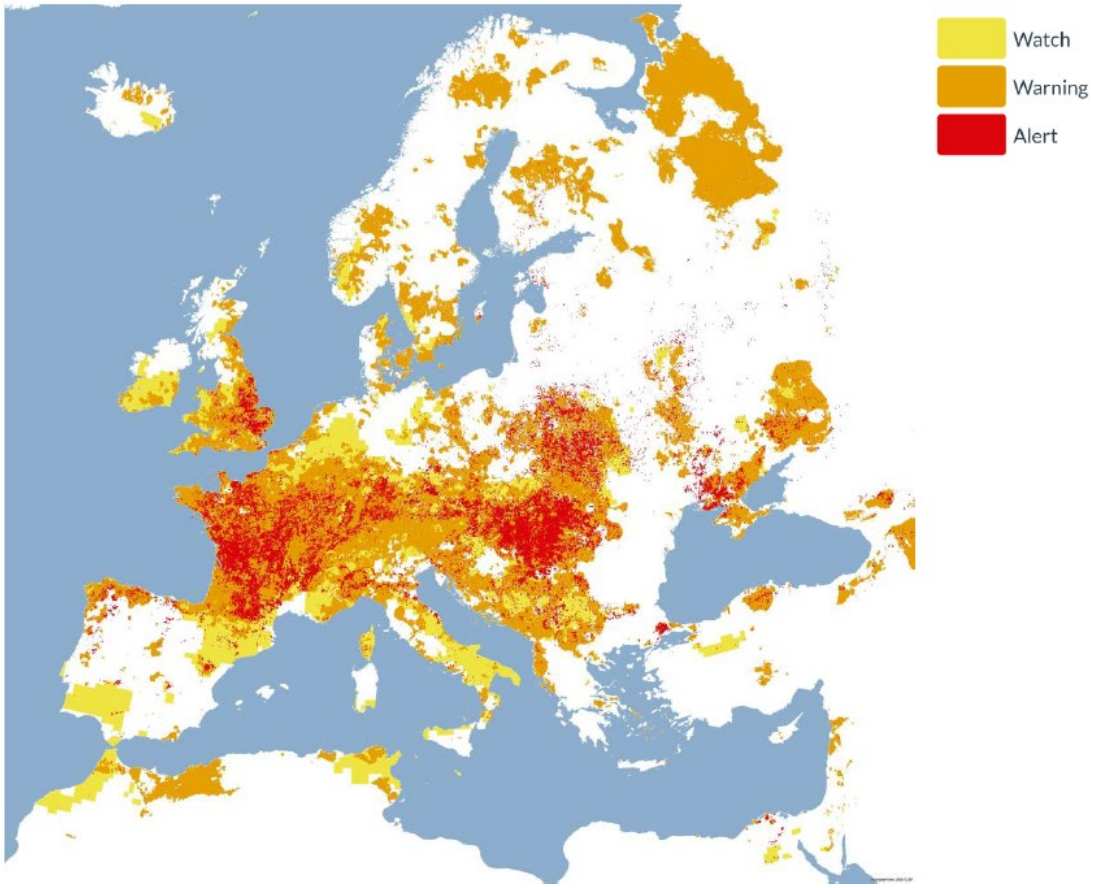
Severe heatwaves affected continental Europe over the summer. The Joint Research Council (JRC) and Copernicus, the EU's climate monitoring service, published 'Drought in Europe' in July[16]. This report noted that “alert” conditions persisted in central-eastern Europe and worsened in western Europe, with extensive expansion in France. Scarce precipitation was compounded by temperatures which were much warmer than normal and soil moisture and river flows below normal.

[11] https://www.poultrynews.co.uk/news/willand-poultry-plant-unable-to-operate-as-2-sisters-seeks-emergency-water-supply.html
[12] At least seven months of relentless rain needed to end drought in England - BBC Weather
[13] Energy & Climate Intelligence Unit | When the grass isn’t greener:...
[14] Energy & Climate Intelligence Unit | Chips are down – summer drought...
[15] Energy & Climate Intelligence Unit | Over 240 million litres of milk...
[16] Toreti, A., Bavera, D., Magni, D., De Jager, A., Maianti, P. et al., *Drought in Europe July 2026 - GDO Analytical Report,* Publications Office of the European Union, Luxembourg, 2026, https://data.europa.eu/doi/10.2760/2686847, JRC147969.

Chart 5 shows the drought status across Europe in mid-July. Red drought alerts were in place in western and central-eastern Europe, along with the east coast of England. Extensive orange drought warnings covered western Europe, the Balkan region, parts of Scandinavia and the Balkans. The yellow drought watch status was in place for the Republic of Ireland, parts of Spain, Italy and Morocco.

The monthly climate bulletin for August[17], published by Copernicus, noted that summer 2026 was the third warmest on record for Europe as a whole, and the warmest on record for western Europe. August 2026 was marked by low rainfall, exceptionally low soil moisture and widespread low river flows across much of Europe. Late month rainfall brought localised flooding.

CHART 5: THE COMBINED DROUGHT INDICATOR (CDI) BASED ON A COMBINATION OF INDICATORS OF PRECIPITATION, SOIL MOISTURE AND VEGETATION CONDITIONS IN MID JULY 2026

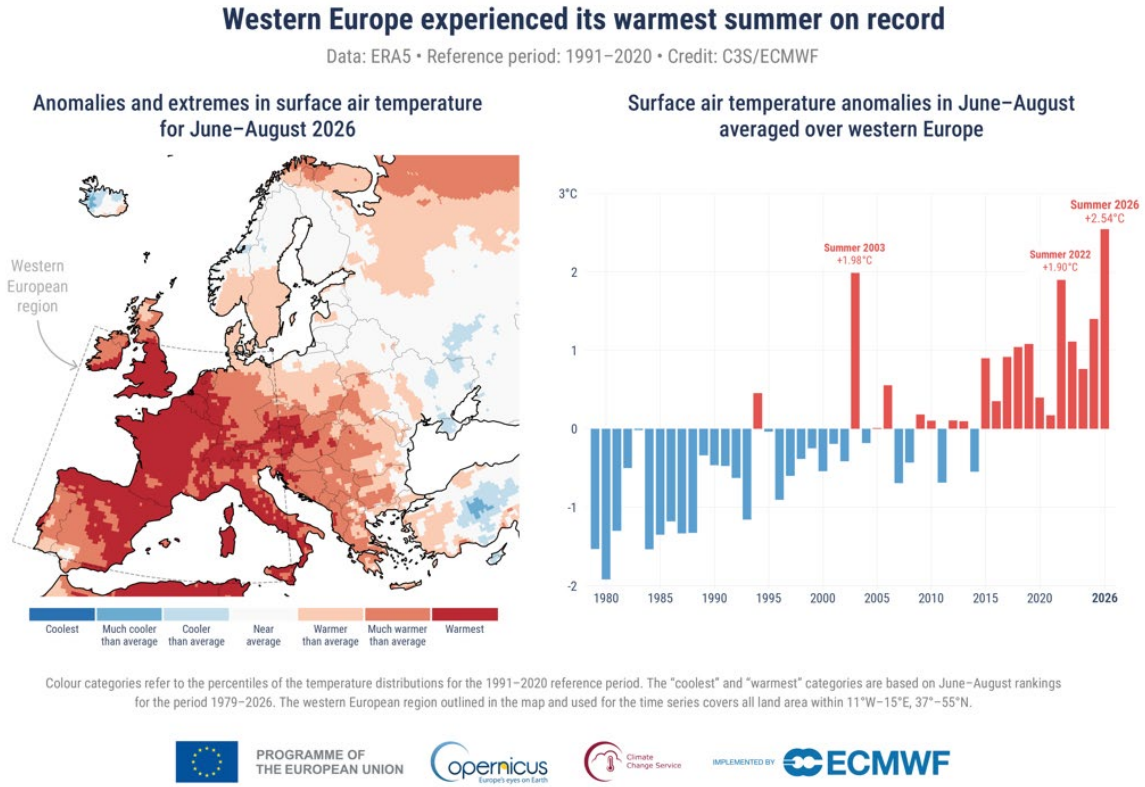


Source: JRC, Copernicus EMS European Drought Observatory, accessed 30/09/26

[17] https://climate.copernicus.eu/climate-bulletin

Chart 6 presents a map of Europe showing anomalies and extremes in surface air temperature for June to August 2026 when compared to the reference period 1991 to 2020. The dark red shows large parts of western Europe as being the warmest, with the orange denoting those regions which were much warmer than normal. The bar chart shows the surface air temperature anomalies in June to August averaged over western Europe. The bar chart shows increasing red spikes since 2015, with the summer of 2026 recording a +2.54°C difference when compared to the average over the period 1991 to 2020.

CHART 6: SURFACE AIR TEMPERATURE ANOMALIES AND EXTREMES FOR JUNE - AUGUST 2026



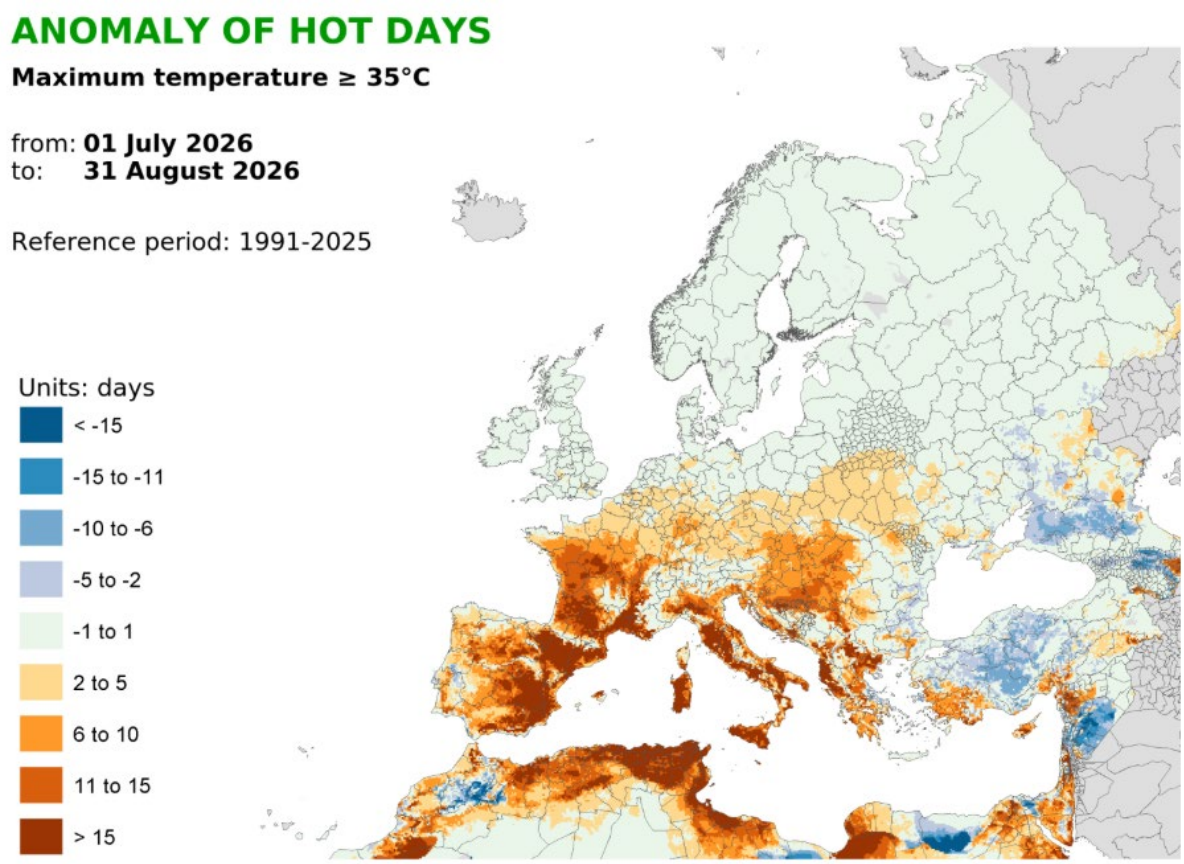
Sources: Copernicus Climate Bulletin August 2026, accessed 30/09/26

The summer also saw an unusually high number of hot days, with temperatures rising above 35°C, and tropical nights, when temperatures did not fall below 20°C[18].

Chart 7 shows the number of very hot days (above 35°C) in July and August 2026 compared with a typical summer. In large parts of Spain, France, Italy, and to a lesser extent Greece and Croatia, there were more than 15 days than usual that reported temperatures above 35°C.

[18] https://joint-research-centre.ec.europa.eu/jrc-news-and-updates/european-agriculture-hit-hard-exceptionally-hot-and-dry-summer-2026-09-28_en

CHART 7: ANOMALY OF HOT DAYS WITH MAXIMUM

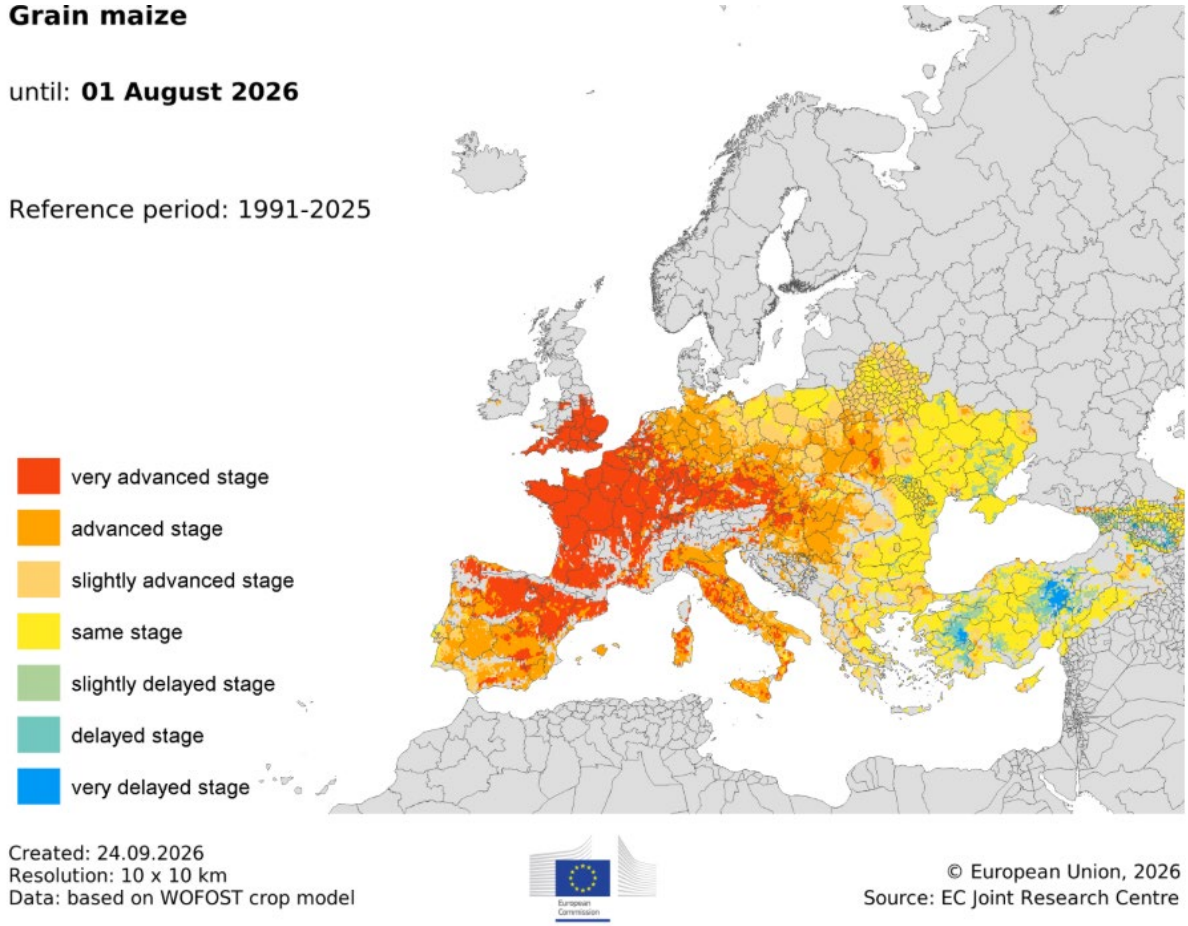


Source: EU Joint Research Centre, accessed 30/09/26

The heat accelerated crop development and ageing, with plants passing more quickly through critical stages of growth, such as flowering and grain filling. Severe rainfall deficits and depleted soil moisture combined with accelerated growing meant crops had less time and fewer resources to grow and develop. In the worst affected regions, maize reached maturity up to three weeks earlier than usual, and crops aged and dried out prematurely, leading to harvest losses or failures.

Chart 8 shows a map of Europe, with red and orange regions including France, Spain, Belgium, Netherlands, Italy, Germany and parts of central Europe where grain maize development by 1st August 2026 was ahead of normal and, in some regions, by several weeks.

CHART 8: CROP DEVELOPMENT STAGE ANOMALY – GRAIN MAIZE



Source: EU Joint Research Centre, accessed 01/10/26

The JRC Monitoring Agricultural Resources (MARS) forecasts for the EU yields (as of September 2026) indicate several major summer crops will be well below the five-year average:

- Soybeans 15% lower
- Fresh (green) maize 14% lower
- Grain maize 8% lower
- Potatoes 8% lower
- Sugar beet 11% lower

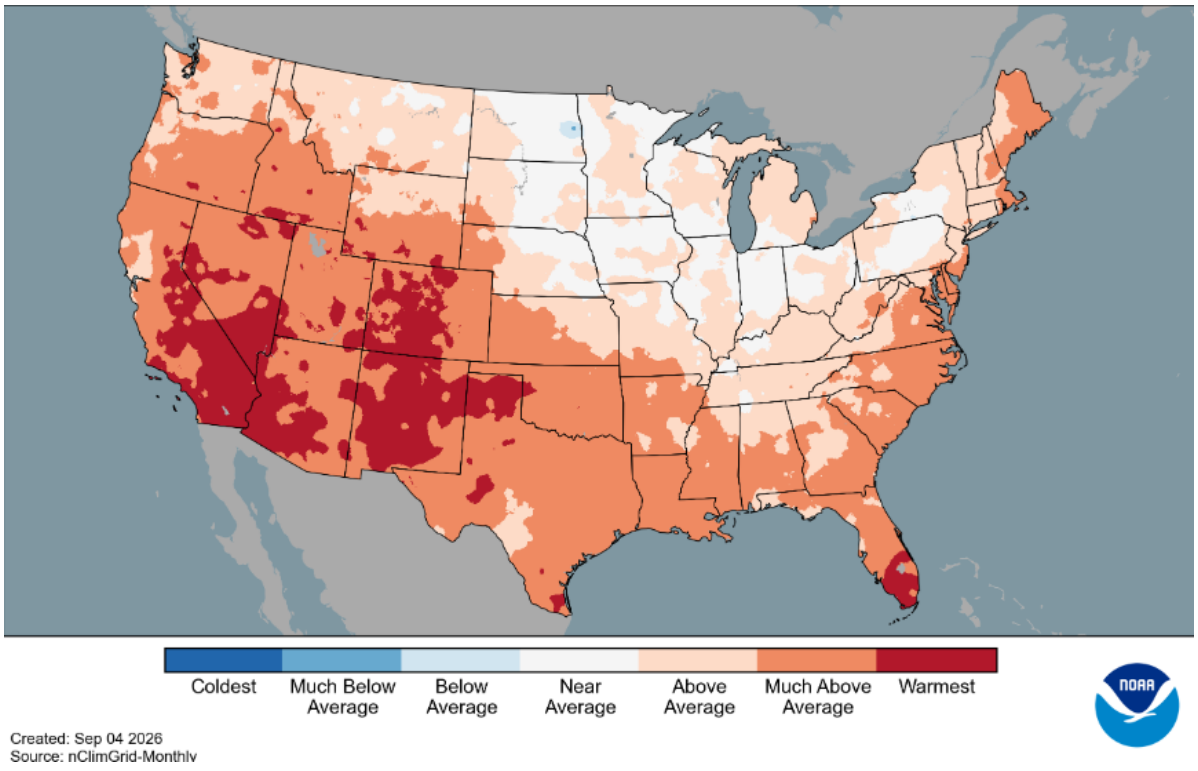
European grasslands suffered during the prolonged heat, with moisture depleted soils causing grass growth to decline rapidly across much of western and central Europe. Livestock farmers have faced compounding pressures with less grass for animals to graze and to harvest for winter feed, along with lower production of green maize.

North and South America

According to the National Centers for Environmental Information (NCEI), the contiguous United States (CONUS) had its warmest meteorological summer (June to August) and its warmest August on record[19].

Chart 9 shows a map of the contiguous United States, with the warmest areas (in red) covering south-western states. Orange areas stretch across the country from the Pacific to the Atlantic where the mean temperature was much above average. The lighter orange areas, from the Canadian border to the Mexican border show the regions where the mean temperature was above average.

CHART 9: U.S. MEAN TEMPERATURE PERCENTILES MAP; AUGUST 2026



Source: National Centers for Environmental Information, accessed 03/10/26

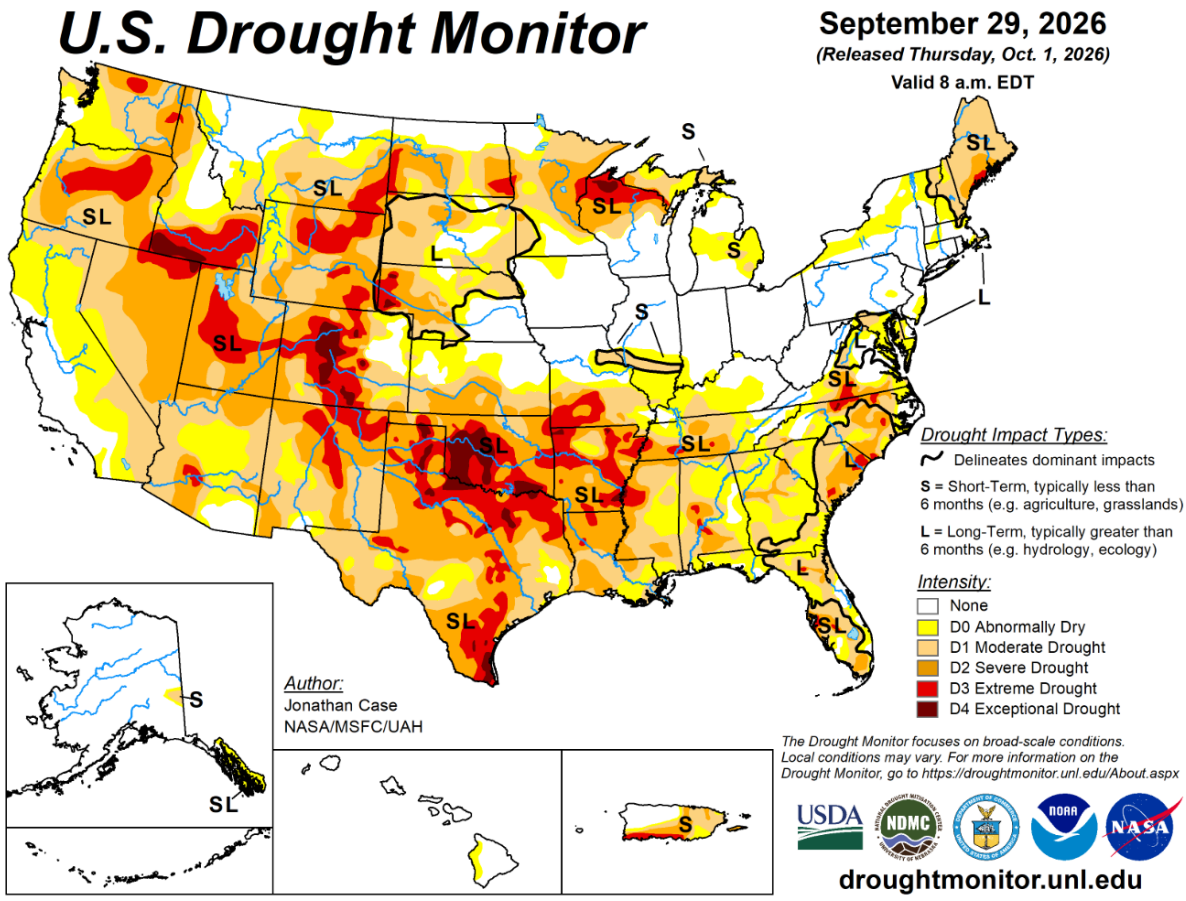
Drought remained widespread across the United States throughout July–September 2026, expanding during August as exceptional heat and evaporation accelerated soil-moisture losses. By 1st September, NCEI reported that 59.1% of the contiguous United States was in drought, an increase of 10.5% than at the start of August[20]. The impacts of El Niño have

[19] Monitoring the U.S. Temperature and Precipitation in August 2026 | News | National Centers for Environmental Information (NCEI)
[20] Monitoring the U.S. Temperature and Precipitation in August 2026 | News | National Centers for Environmental Information (NCEI)

started to be felt in September with substantial rainfall in south-western states. However, as of 29th September, 59.38% of the Lower 48 states remain in drought[21].

Chart 10 shows a map of the contiguous United States, with dark red denoting exceptional drought, red showing extreme drought, orange is severe drought, light orange is moderate drought, yellow shows abnormally dry areas and white is where no drought conditions exist.

CHART 10: U.S. DROUGHT MONITOR AS OF 29TH SEPTEMBER 2026



Source: U.S. Drought Monitor, accessed 03/10/26

At the start of July, around 47% of the US's winter wheat production area was experiencing drought. By the end of September, this had increased to 57%. Areas of spring wheat production in drought had increased from 19% in July to 48% by September. 19% of soybean production was experiencing drought conditions at the start of July, increasing to 27% by the end of September. At the end of July, 29% of corn production areas were experiencing drought, dropping to 21% at the end of September. At the start

[21] https://www.drought.gov/national/data

of July, 46% of the US's cattle inventory was located in areas experiencing drought, rising to 57% by the end of September[22].

South America has been experiencing a mixed and increasingly El Niño-influenced climate, with the June to August period being fourth warmest on record[23]. In Brazil, the harvest of summer-planted maize is ending, with above-average yields. Sowing of the spring-planted crop (which is a smaller season) in underway[24]. Sowing of soybean is starting in Brazil, with an estimated slight increase in total area compared to last season[25].

Asia and Oceania

Asia recorded its second warmest June to August on record, behind 2024, and Oceania experienced its fourth warmest. Winter was warmer than average across much of Australia and New Zealand had its third warmest winter since national records began in 1909. China had its strongest tropical cyclone in August (Typhoon Dolphin), with Shanghai experiencing its highest 24-hour rainfall total in more than 150 years of records. Japan experienced two exceptional heavy rainfall events in August, triggering flooding and landslides and disrupting rail and air travel[26].

Africa

Record high temperatures were observed across much of Africa, with August being the warmest on record and recording 2.33°C above, surpassing its previous 2023 record by 0.55°C. Furthermore, Africa registered is second-warmest January to August period on record (behind 2024). The Maghreb region of north-west Africa, which includes Morocco (a key source of fruit and salad crops), experienced drier than average conditions during the summer[27], [28].

Our Warming Climate

The UK Met Office published the report "State of the UK Climate in 2025" in the International Journal of Climatology in July 2026[29]. The report provides further evidence of a rapidly changing UK climate, characterised by rising temperatures, more frequent heat extremes and changing rainfall patterns and seasons. Recent decades have become warmer, wetter and sunnier than the previous twentieth century. 2025 was the warmest year recorded in the UK dating back to 1884, and second warmest for Wales. Wales

[22] Maps | U.S. Agricultural Commodities in Drought
[23] https://www.ncei.noaa.gov/news/global-climate-202608
[24] https://www.amis-outlook.org/market-monitor#MaizeCropMonitor
[25] https://www.amis-outlook.org/market-monitor#SoybeanCropMonitor
[26] https://www.ncei.noaa.gov/access/monitoring/monthly-report/global/202608
[27] https://climate.copernicus.eu/precipitation-relative-humidity-soil-moisture-and-river-flow-august-2026
[28] https://climate.copernicus.eu/precipitation-relative-humidity-soil-moisture-and-river-flow-july-2026
[29] https://www.rmets.org/news/state-uk-climate-2025-report-climate-extremes-are-becoming-new-normal-uk

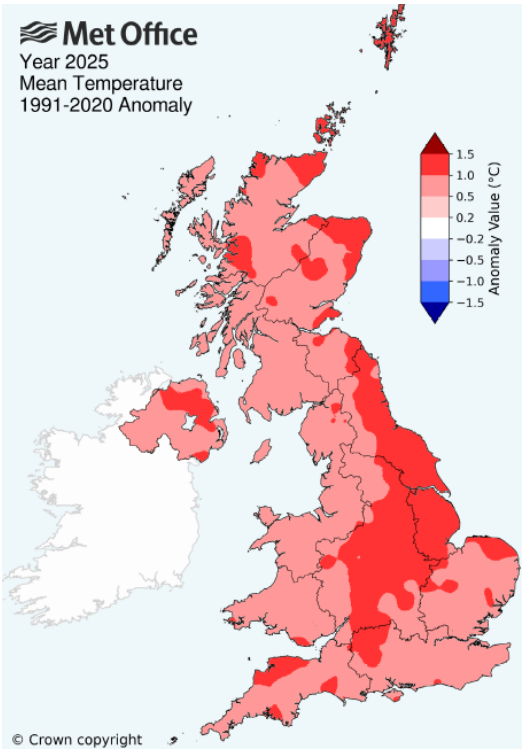
experienced a spring temperature which was 1.4°C above the 1991 to 2020 average and summer 1.5°C above average.

In some of the key horticultural and arable production areas of eastern England, the average hottest day of the year during 2016 to 2025 was more than 4.5°C warmer than during 1961 to 1990. 2025 also saw an exceptionally dry growing season, with spring being the UK's driest since 1974 and England's driest since 1893. Most of England and Wales received less than half their normal spring rainfall. Summer rainfall remained below average. However, rainfall conditions changed dramatically in the autumn, with Wales receiving 140% of its average rainfall, making it the sixth wettest autumn for Wales. The longer-term pattern appears to be warmer growing seasons and fewer frosts providing opportunities for longer seasons or different crops. However, there is also greater exposure to heat extremes, increased evaporation, water scarcity and more variable rainfall. Winter rainfall is increasing, with the UK winter half-year now 13% wetter than during 1961 to 1990, increasing risks associated with saturated soils, flooding, delayed field operations and infrastructure disruption.

Chart 11 shows the mean temperature anomaly for the year 2025 relative to the 1991 to 2020 period and across the UK. The map shows that all parts of the UK experienced higher temperatures during 2025 relative to 1991 to 2020, with the darker red showing the higher temperature anomaly.

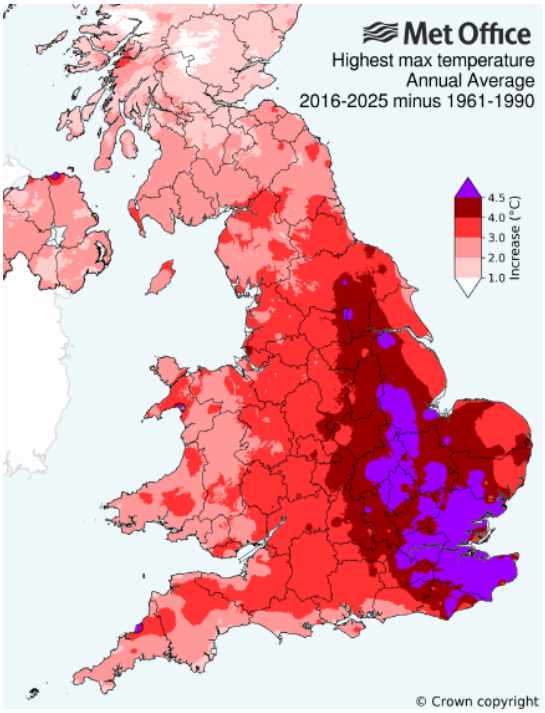
Chart 12 shows how much the average highest maximum temperature has increased from 1961 - 1990 to 2016 – 2025. Almost all of England has seen an increase of at least 3°C, parts of eastern England, from Kent to Lincolnshire has seen an increase of over 4.5°C. Wales has seen an increase of at least 2°C.

CHART 11: MEAN TEMPERATURE ANOMALY FOR 2025 RELATIVE TO 1991 - 2020



Source: State of the UK Climate in 2025, accessed 03/10/26

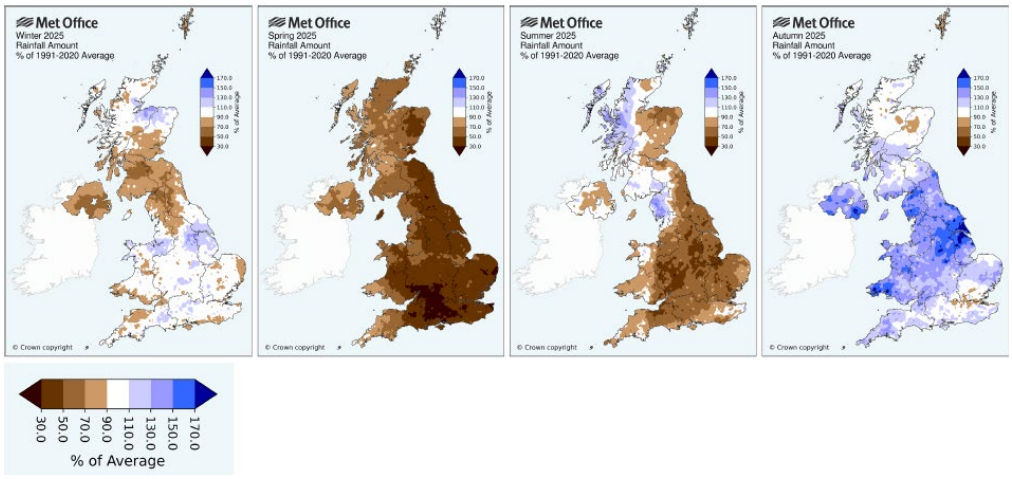
CHART 12: INCREASE IN AVERAGE HIGHEST MAXIMUM TEMPERATURE FOR THE PERIOD 2016 – 2025 COMPARED TO 1961 - 1990



Source: State of the UK Climate in 2025, accessed 03/10/26

Chart 13 shows the 2025 season rainfall anomalies relative to 1991 – 2020 for the UK and across all four seasons, with winter 2025 shown in the left-hand map and autumn 2025 in the right-hand map. The brown areas shown in the spring and summer maps represent places which received below average rainfall amounts. The autumn map shows that Wales and England were wetter on average.

CHART 13: 2025 SEASONAL RAINFALL ANOMALIES (%) RELATIVE TO 1991 - 2020



Source: State of the UK Climate in 2025, accessed 03/10/26

WHY THIS MATTERS FOR WELSH FOOD AND DRINK MANUFACTURERS

Welsh food and drink manufacturers experienced the difficulties of operating in extreme temperatures. Shift patterns were disrupted to avoid the highest daytime temperatures. Refrigeration and cooling systems broke down, unable to cope with the high temperatures. More power was needed for cooling. Ingredients and raw materials behaved differently in the high temperatures, requiring new recipe formulations, and potentially impacting product quality. Staff health and well-being were affected. This summer was an insight into the future as our climate continues to warm. The lag effect of the developing El Niño is likely to last well into next year, with the possibility that next year will be the warmest ever. Climate risks are becoming persistent rather than exceptional. They are happening in Wales, the UK and far beyond Wales and have direct consequences for business costs, continuity of supply and competitiveness. Climate events such as droughts, floods and heatwaves in major food or raw material producing regions are affecting the availability and price of key agricultural commodities. Manufacturers should reflect on the experiences of this summer and prepare an extreme heat response plan ready for activation in future heat waves. Review energy costs over the summer and build these into future forecasts, along with anticipated commodity and input price increases. Conduct scenario planning exercises to improve readiness for climate events. Review countries and regions of origin for ingredients and raw materials and consider supplier diversification.

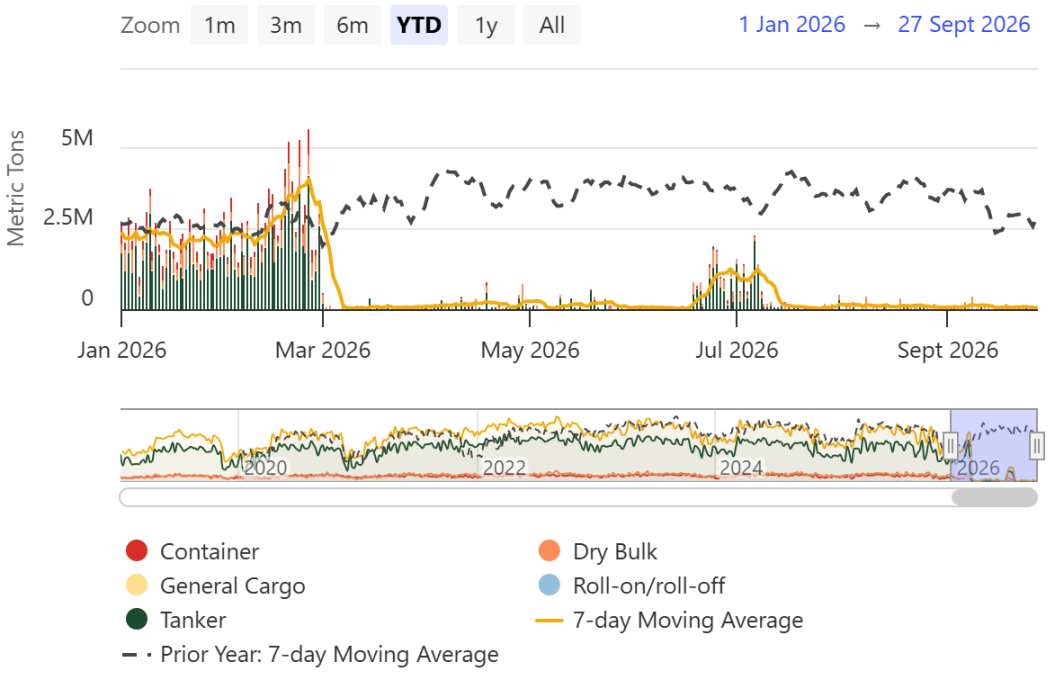
Conflict

US-Israel-Iran conflict

This US-Israel-Iran conflict continues to disrupt Gulf shipping and energy supplies. Early July saw the breakdown of June's interim agreement, renewed attacks and unsuccessful diplomacy, resulting in the prolonged restriction of the Strait of Hormuz. There were further attacks on shipping in September. The Financial Times reported on 29th September that mediators are making a renewed push to advance a deal between the US and Iran. The article noted that American forces have guided oil tankers through the Strait of Hormuz, but the waterway remains closed to other commodities, including petrochemicals, refined fuels and feedstock for fertiliser[30].

Chart 14 shows the transit trade volume, in metric tonnes, passing through the Strait of Hormuz in 2026. The dashed black line shows the prior year 7-day moving average and the yellow line shows the 2026 7-day moving average. Normal shipping transit was evident until the end of February when hostilities broke out. There was an observable increase in shipping towards the end of June and early July.

CHART 14: STRAIT OF HORMUZ, TRANSIT TRADE VOLUME FOR 2026



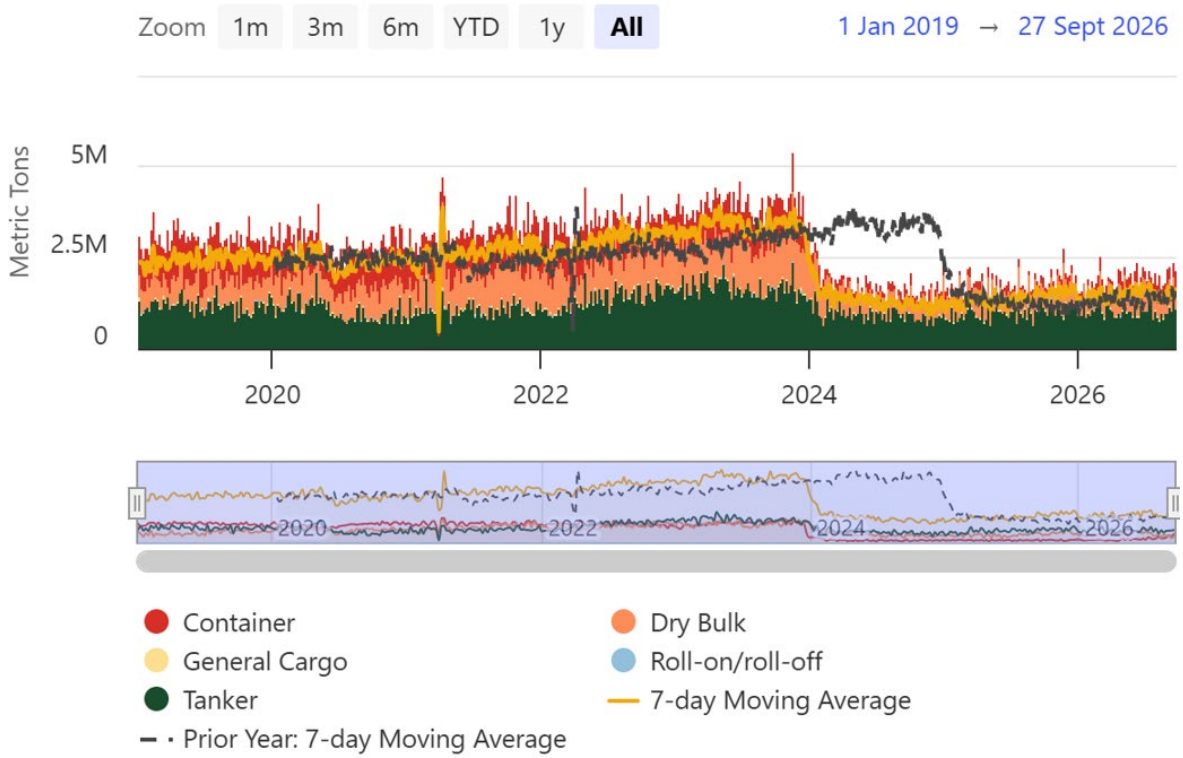
Source: PortWatch, accessed 03/10/26

The restrictions on the Strait of Hormuz are exacerbated by the continued pressure on the Suez Canal which has seen reduced transit trade volumes since the start of 2024.

[30] https://www.ft.com/content/2e2c868b-9510-4f0c-bbeb-ca17e7a18cc1?syn-25a6b1a6=1

Chart 15 shows the significant reduction in transit trade volumes from 2024 onwards.

CHART 15: SUEZ CANAL TRANSIT VOLUME SINCE 2019



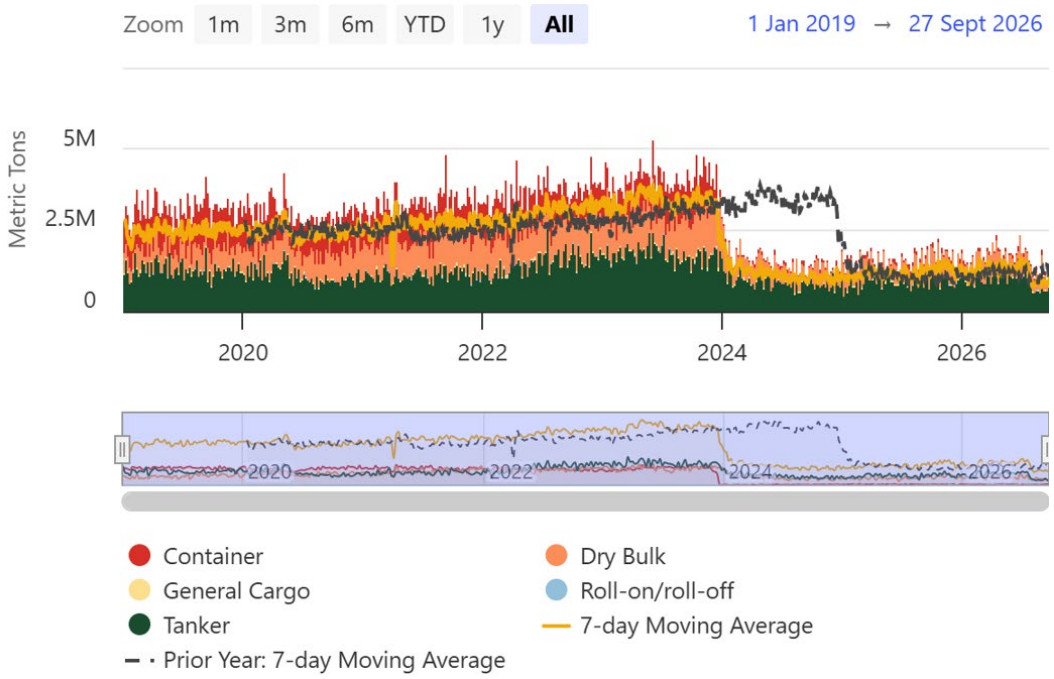
Source: PortWatch, accessed 03/10/26

In September, Houthi fighters claimed a major advance on the Western Red Sea coast and seized an island at the mouth of the Bab el-Mandeb Strait[31], raising concerns about the safety of international shipping passing through this waterway.

Chart 16 shows the significant reduction in transit trade volume passing through the Bab el-Mandeb Strait which is located at the southern entrance to the Red Sea. There is a further observable reduction in transit trade volume on the right-hand side of the graph.

[31] https://www.bbc.co.uk/news/articles/c23x72yx2rvo

CHART 16: BAB EL-MANDEB STRAIT TRANSIT VOLUME SINCE 2019



Source: PortWatch, accessed 03/10/26

Russia-Ukraine conflict

This ongoing conflict continues to disrupt Black Sea ports and cargo vessels, with the disruption intensifying over the summer and affecting grain exports from both Ukraine and Russia. Prior to 2022, Ukraine provided 15% of the world's corn exports, 10% of wheat, 15-20% of barley and 50% of sunflower oil. Russian attacks have halved grain exports compared to last year. The EU Delegation to Ukraine noted on 8th September that, by October, Ukraine may run out of storage, leaving over 9 million tonnes of grain to rot and farmers lack funds to plant next year's crops, with implications for 2027 food supplies and prices[32]. Whilst the EU's Solidarity Lanes (using alternative logistics routes via rail, road and inland waterways) have helped, safe and reliable access to Black Sea ports is needed. The attacks are affecting freight prices. The FT reported in mid-August that freight rates for tankers were at their highest since 2005[33]. Ukrainian drone attacks in the Sea of Azov have forced Russia to stop commercial transits. The Council for Foreign Relations reported that Ukrainian strikes have destroyed or prevented more than 70%[34] of all Russian grain export capacity.

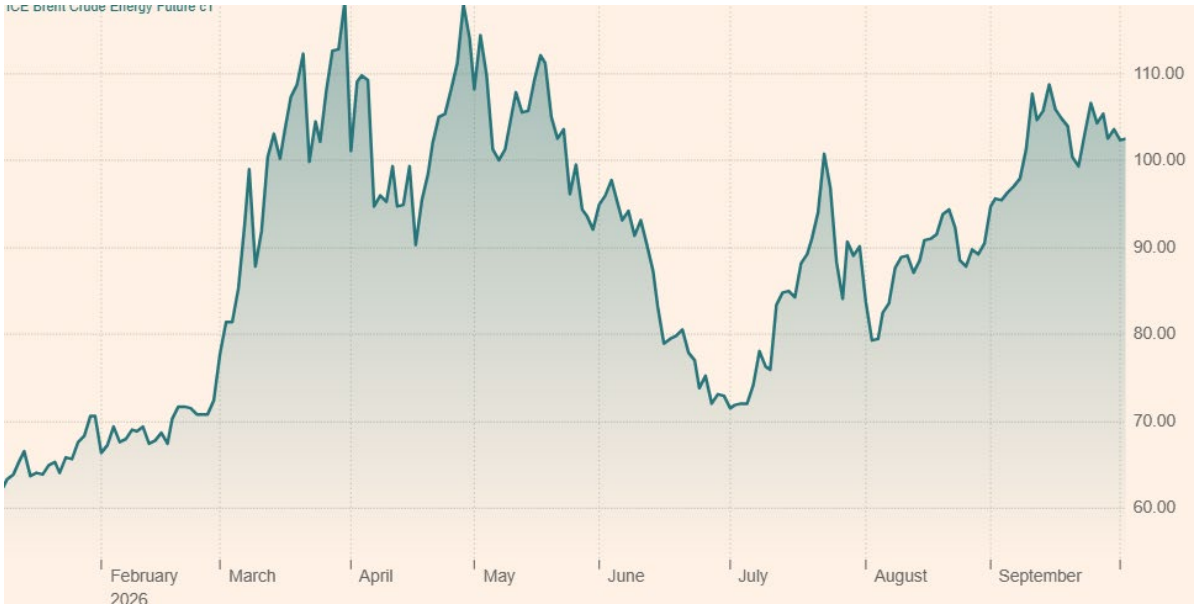
[32] https://www.eeas.europa.eu/delegations/ukraine/russias-war-ukrainian-trade-war-global-food-security_en
[33] https://www.ft.com/content/2fb7f9b7-58dc-4909-94fa-8e753b7be47d?syn-25a6b1a6=1
[34] https://www.cfr.org/articles/hunger-on-the-horizon-the-new-black-sea-grain-crisis

Fuel and energy impacts

The US-Israel-Iran conflict continues to impact oil prices as the breakdown in negotiations delays the prospect of a return to normal oil flows until next year. The International Energy Agency (IEA) published its Oil Market Report in September[35] noted that oil inventories continue to fall, along with oil in transit (on water) as tanker traffic out of the Middle East came under renewed attacks.

Chart 17 shows the changes in prices of Brent Crude Oil since the start of 2026, with the steep rise immediately after the conflict started, and then dropping during May and June as negotiations led to the Memorandum of Understanding (MOU). Following the dip in July, the price increased as the MOU expired and no further agreements were reached. As of 2nd October, the price of Brent Crude Oil was $102.61. This is nearly 60% higher than a year ago.

CHART 17: BRENT CRUDE OIL PRICE CHANGES SINCE THE START OF 2026



Source: FT, accessed 04/10/26

The IEA's report in September also noted the impacts on diesel, where market tightness is most acute. Prices in the USA surpassed the $200/barrel mark in early September, 94% above pre-war levels. Total oil exports from Gulf countries are estimated at about half their pre-war levels, although crude oil has been flowing through routes/pipelines which bypass the Strait and US military escorts have protected some flows through Hormuz. However, refined products and LPG (Liquified Petroleum Gas) exports remain 60% less than in February. The conflict between Russia and Ukraine has compounded these losses. On 2nd

[35] https://www.iea.org/reports/oil-market-report-september-2026

October, the leaders of the G7 released a statement[36] confirming measures which will be taken to stabilize energy supplies, including the coordinated release through the IEA of 100 million barrels of oil and diesel. This followed warnings from the US Government of possible diesel export bans from the US if European countries did not agree to release stocks[37].

European natural gas prices continue to be impacted by the conflict, with disruptions to shipments and continuing uncertainties over deliveries from Qatar. QatarEnergy's extended force majeure on certain European LNG supplies, covering shipments into the fourth quarter has added to concerns about the availability of imported gas. European storage facilities are around 71% full, significantly below the five-year season average of 87% and as the continent heads into the winter months[38].

Chart 18 shows the changes to prices for European Natural Gas over the last year. The price rose steeply at the start of the conflict before falling, although not to pre-war levels. The price has been increasing since July, reaching a peak in September before a small fall to around €75 per megawatt-hour.

CHART 18: EUROPEAN NATURAL GAS PRICE CHANGES OVER 12 MONTHS



Source: Trading Economics, accessed 04/10/26

[36] https://www.gov.uk/government/news/g7-leaders-statement-on-global-energy-security-and-market-stability
[37] https://www.bbc.co.uk/news/articles/ck87zg8jnwngo
[38] https://tradingeconomics.com/commodity/eu-natural-gas

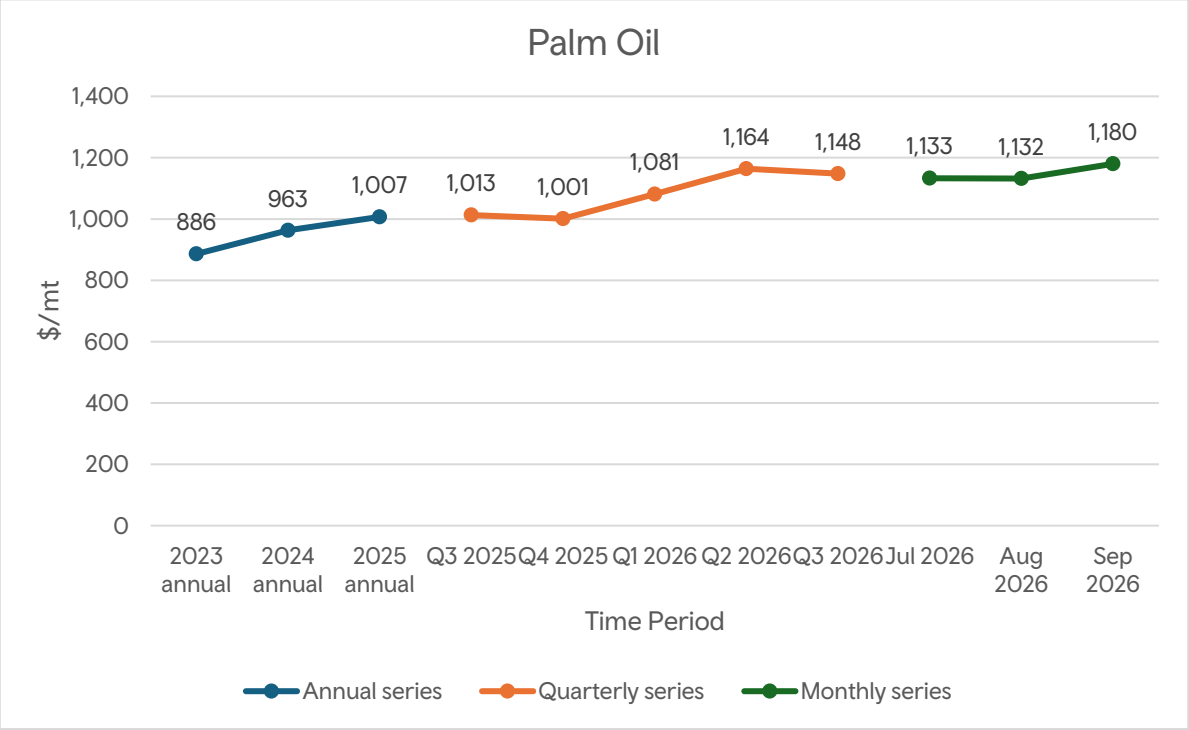
Welsh food and drink manufacturers continue to be exposed to geopolitical events and disruptions and the impacts on key commodities such as fuel and energy. These price impacts flow through to logistics as well as key inputs such as packaging and agricultural inputs. Conflict around key chokepoints such as the Strait of Hormuz, Red Sea and Suez Canal, and Black Sea ports increases the risks of delayed supplies and greater volatility in flour, cereal and livestock-feed costs.

Global Commodities

Oils and Meals

Chart 19 shows the September 2026 price for palm oil was $1,180/mt, an increase of around 16.5% on the Q3 2025 price. The price has trended upwards over the last 12 months, although the average price dropped slightly between Q2 and Q3, before increasing by 4% between August and September. The Food and Agricultural Organization of the United Nations (FAO) noted that the increasing palm oil price has been supported by strong global import demand and concerns over the impact of dry weather on production prospects in Southeast Asia[39].

CHART 19: PALM OIL PRICE MOVEMENTS

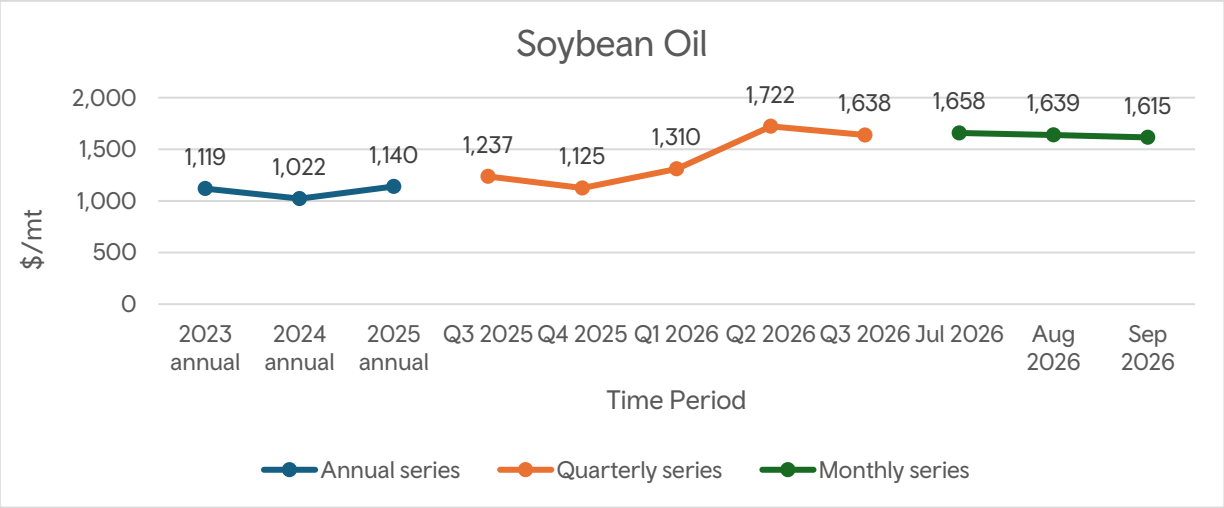


Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Chart 20 shows Soybean oil stood at $1,615/mt in September, an increase of 30.5% from the average price in Q3 2025. There has been a sharp increase in price this year, increasing by over 50% from Q4 2025 to Q2 2026. This has been followed by a slight drop of 2.6% since July 2026. The FAO reports that world soy oil prices remain well above their year-earlier levels, supported by robust demand from the biofuel sector.

[39] https://www.fao.org/worldfoodsituation/foodpricesindex/en/

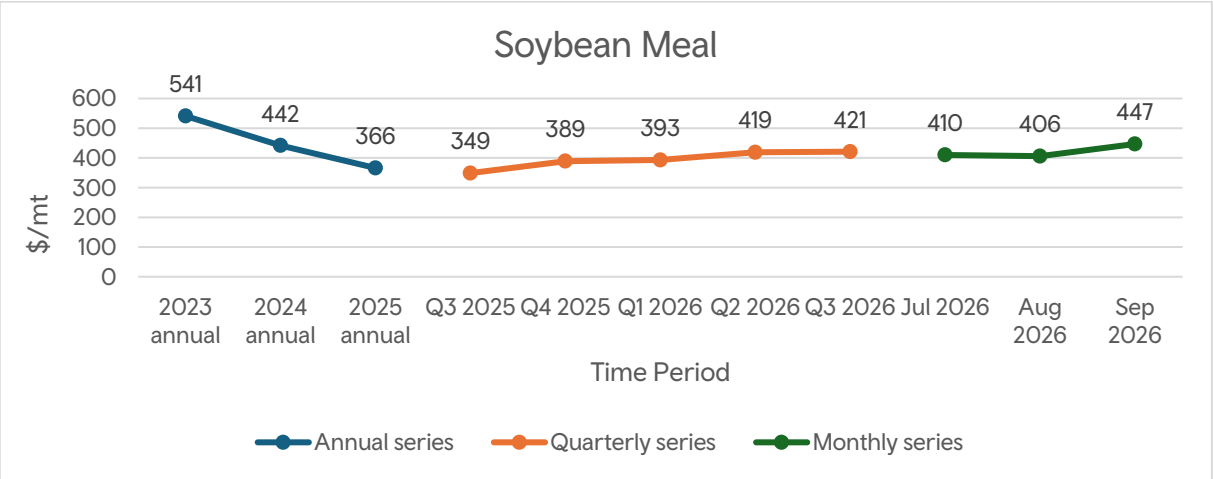
CHART 20: SOYBEAN OIL PRICE MOVEMENTS



Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Chart 21 shows soybean meal prices have dropped sharply since 2023. Prices during 2026 have trended upwards, ending up at $447/mt, an increase of 28% on the price at the end of Q3 2025. The price increased by 10% between August and September this year. Prices are rising due to strong global demand for animal feed, although backed by strong production in the US and South America. According to S&P Global, the implementation of the EU Regulation on Deforestation-free products (EUDR) could tighten the availability of EU soybean meal and increase costs through additional traceability and logistics requirements[40].

CHART 21: SOYBEAN MEAL PRICE MOVEMENTS

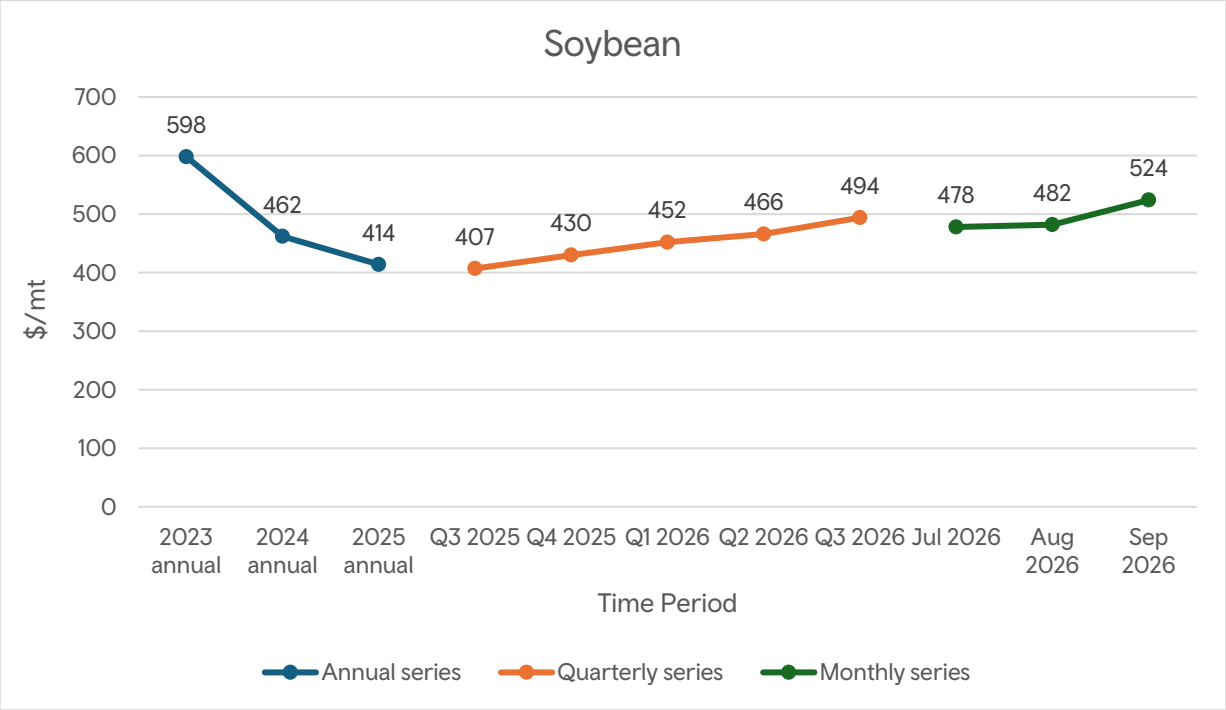


Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

[40] https://www.spglobal.com/energy/en/news-research/latest-news/agriculture/092526-european-soybean-meal-prices-surge-despite-asf-driven-demand-concerns-in-spain

Chart 22 shows a drop in the price of soybeans of nearly 31% between 2023 and 2025. However, the price has been trending upwards for the last 12 months, closing in September at $524/mt, only 12% below the high of 2023. The declines of the previous two years were due to strong production. Strong demand for soybeans has been pushing prices higher over the last 12 months, along with higher energy prices and domestic and international demand, including for soybean oil for biofuels[41].

CHART 22: SOYBEAN PRICE MOVEMENTS



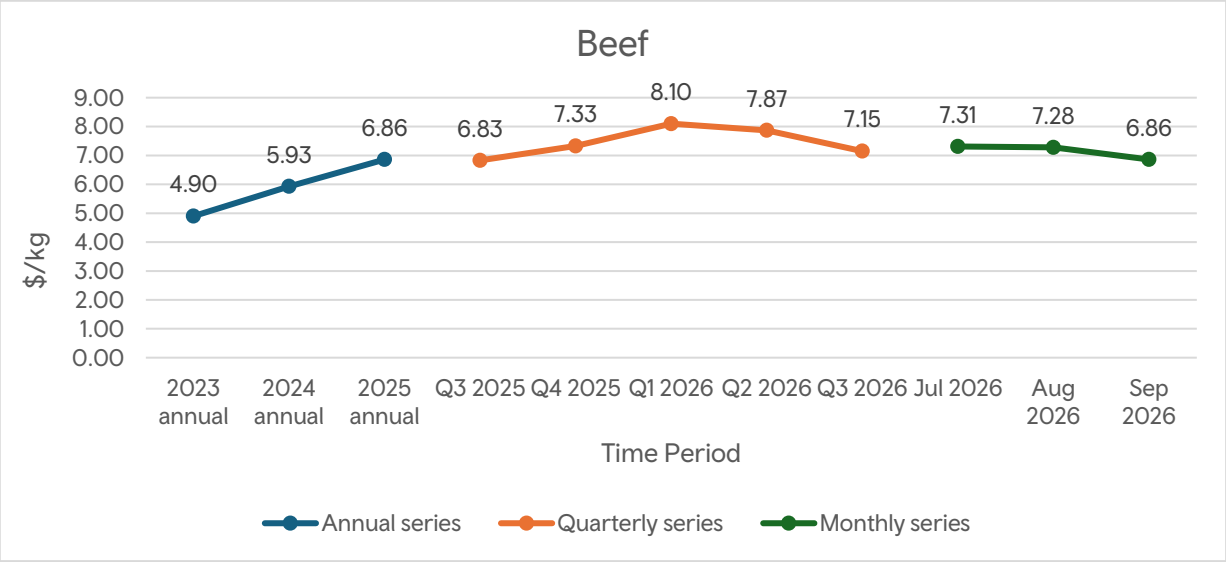
Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Meat

Chart 23 shows that beef prices rose sharply between 2023 and 2025, with an increase of 40%. At the start of 2026, the price reached peak of $8.10/kg but dropped by about 15% to reach $6.86/kg in September. The FAO Meat Price Index noted that animal growth rates returned to normal levels following the decline during the summer heatwaves, supporting increased supplies and a downward pressure on prices[42]. AHDB also noted that the extreme summer temperatures suppressed consumer demand[43].

[41] https://ukragroconsult.com/en/news/global-soybean-prices-rise-7-amid-strong-export-demand/
[42] https://www.fao.org/worldfoodsituation/foodpricesindex/en/
[43] https://ahdb.org.uk/news/eu-beef-supplies-continue-to-tighten-beef-market-update

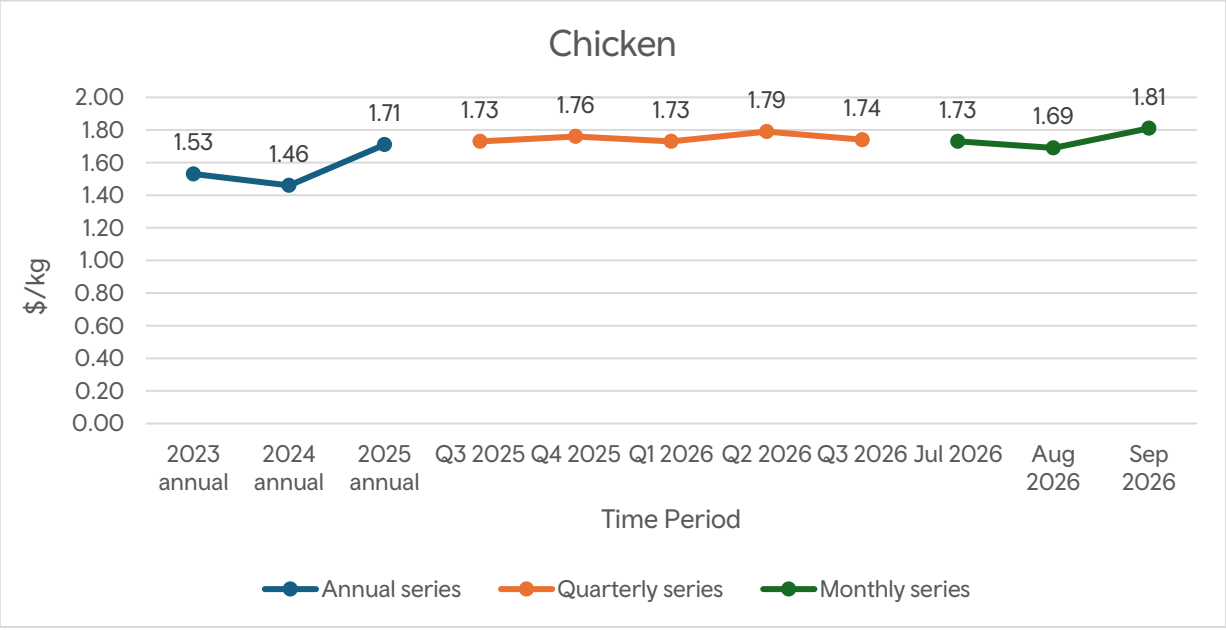
CHART 23: BEEF PRICE MOVEMENTS



Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Chart 24 shows that chicken prices were broadly stable over the last 12 months, with a 7% uptick in price between August and September, closing at $1.81/kg. This represents an increase of 4.6% from Q3 2025.

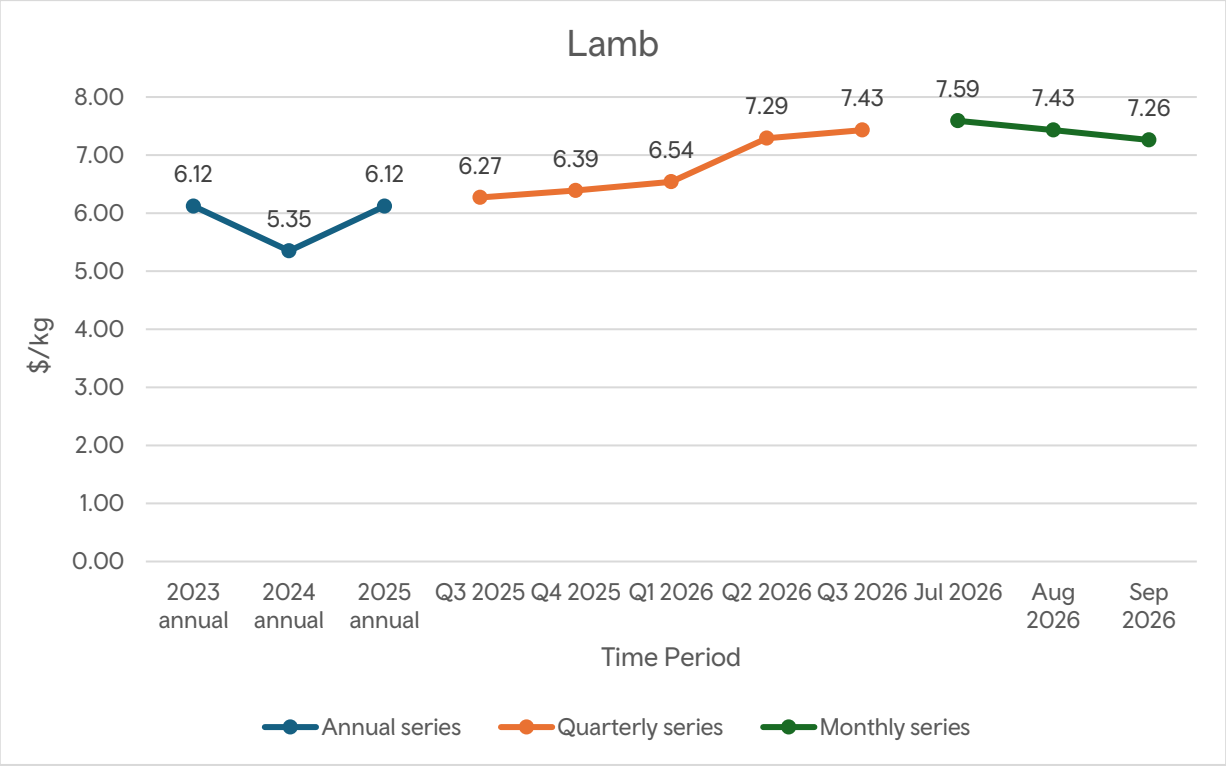
CHART 24: CHICKEN PRICE MOVEMENTS



Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Chart 25 shows lamb prices increasing in 2025 and strengthening over the last year, although both August and September prices have dropped. Lamb prices in September remained nearly 16% higher than the price at the end of Q3 in 2025. International demand for lamb remains high and long-term declines in breeding flocks combined with weather and disease challenged have contributed to tightening supplies and supporting higher prices[44].

CHART 25: LAMB PRICE MOVEMENTS



Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Coffee, Cocoa, Sugar

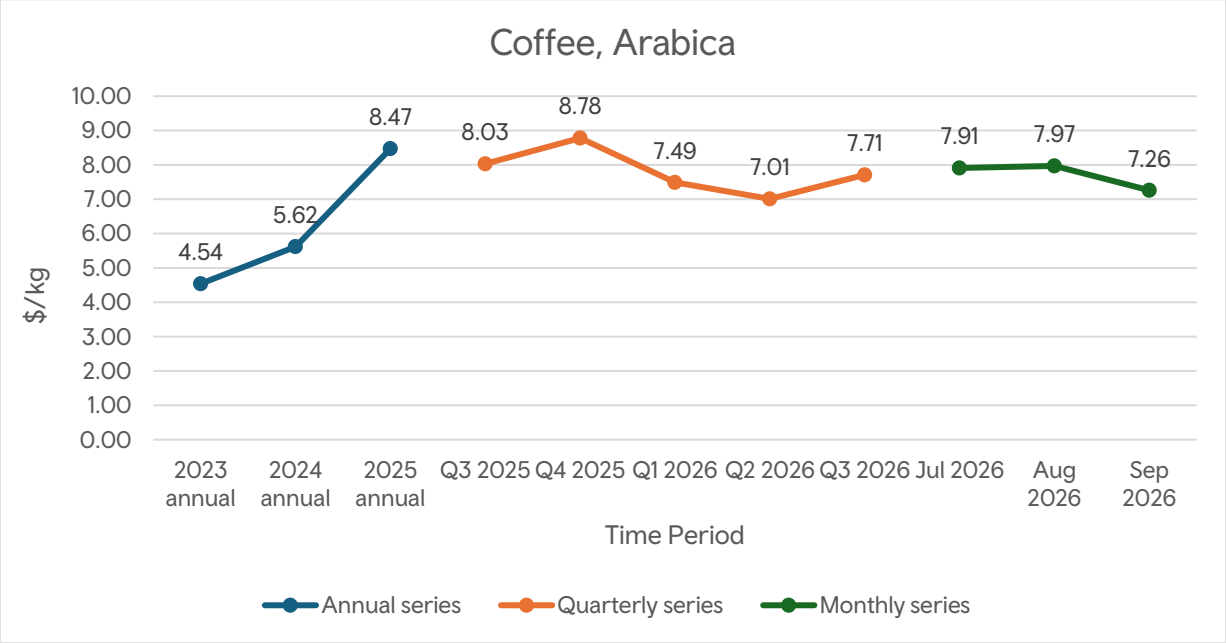
Prices for both Arabica and Robusta Coffee increased steeply from 2023 to 2025, reflecting El Niño impacts. Prices started to drop in 2026, with both rising mid-way through 2026. This increase reflected weather-related concerns in Brazil, a strengthening El Niño outlook and tightening supplies[45]. The more recent drop was a result of favourable rainfall in Brazil and expectations of increased supply[46].

Chart 26 shows that in September, the price of Arabica Coffee was $7.26/kg, down 17% from its high of $8.78/kg at the end of 2025.

[44] https://ahdb.org.uk/news/tighter-european-sheep-supplies-boost-prospects-lamb-market-update
[45] International Coffee Organisation, Coffee Market Report, July 2026
[46] International Coffee Organisation, Coffee Market Report, August 2026

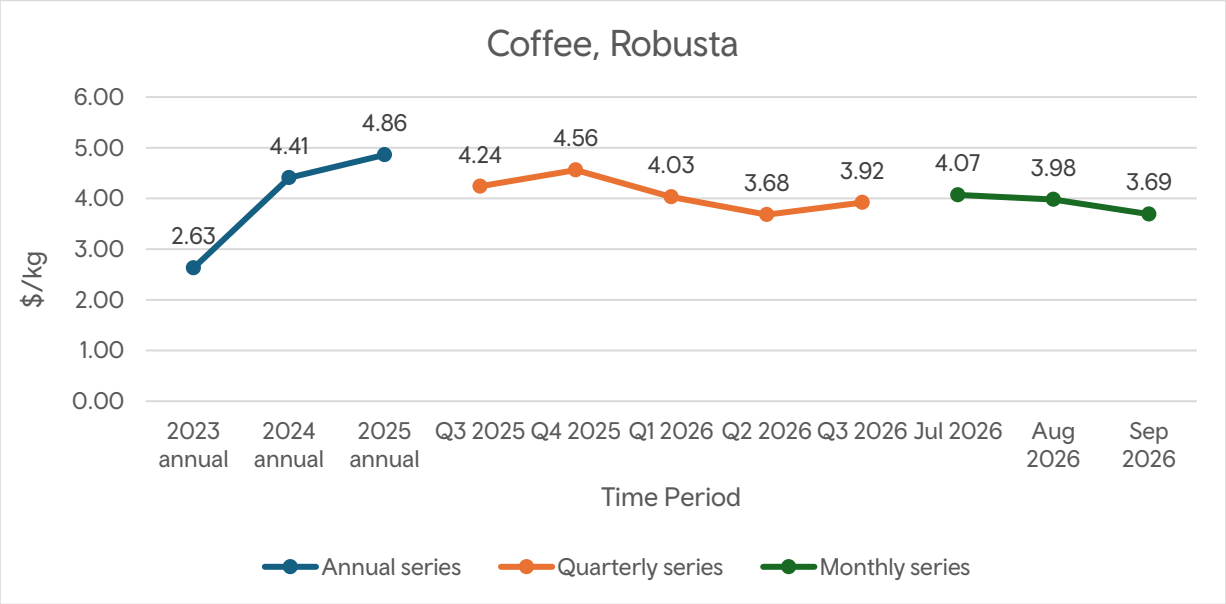
Chart 27 shows a similar downward trajectory for Robusta Coffee prices, ending at $3.69/kg in September, down 24% from its high in 2025.

CHART 26: ARABICA COFFEE PRICE MOVEMENTS



Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

CHART 27: ROBUSTA COFFEE PRICE MOVEMENTS



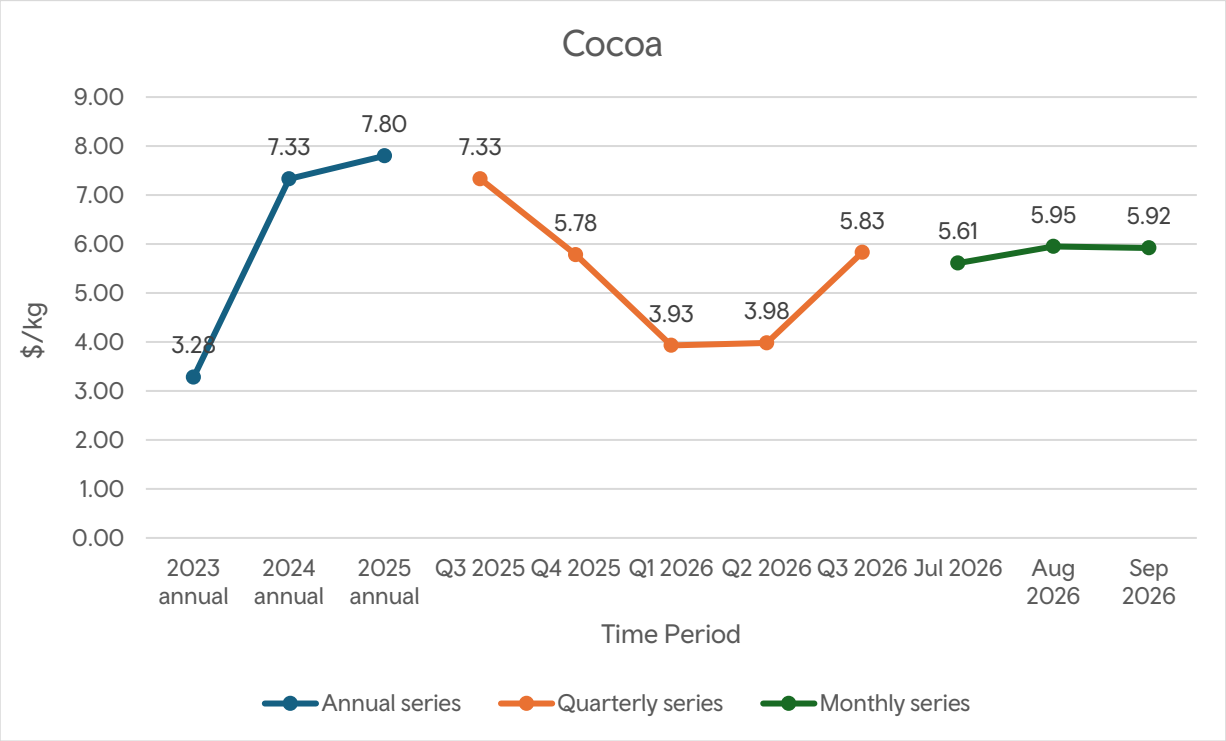
Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Chart 28 shows how steeply the price of cocoa climbed between 2023 and 2025, increasing by 140%. 2025 saw the price drop significantly, before starting to increase

again in Q2 of 2026. The price closed in September at $5.92/kg, a drop of 24% from its high of $7.80/kg, but still nearly 50% higher than the start of this year.

The prices eased at the end of last year based on improved supply prospects, with anticipated production increases in Côte d'Ivoire and Ghana[47]. The recent price increases have been driven by growing concerns over the 2026/27 West African crop and speculative buying. August saw above average temperatures and uneven rainfall across major cocoa producing regions, which heightened disease and pest pressures, as well as heat-related stress[48].

CHART 28: COCOA PRICE MOVEMENTS



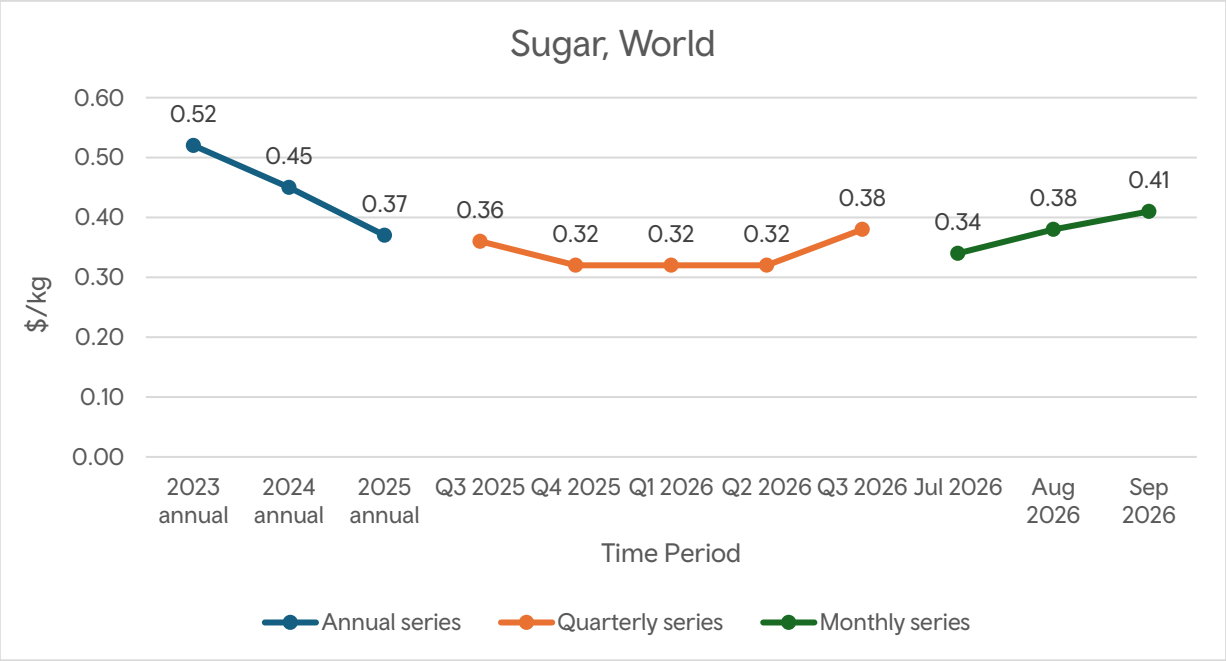
Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Sugar prices fell between 2023 and 2025 but have started to increase since Q2 of this year, closing at $0.41/kg in September. This is 28% higher than the start of the year, but 21% lower than the 2023 high point of $0.52/kg (**Chart 29**).

The FAO notes that the recent price increases are driven by expectations of tighter global sugar supplies in the 2026/27 season. Contributing factors include lower expected sugar production in Thailand, concerns over crop prospects in India due to below-normal rainfall and strengthening El Niño conditions, heavy rains in Brazil's Centre-South growing region and a decline in the area planted to sugar beet in the EU.

[47] https://blogs.worldbank.org/en/opendata/-beverage-prices-moderate-as-coffee-and-cocoa-supply-recover
[48] Cocoa & Chocolate Market Report, September 2026, First Grade International

CHART 29: SUGAR PRICE MOVEMENTS



Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

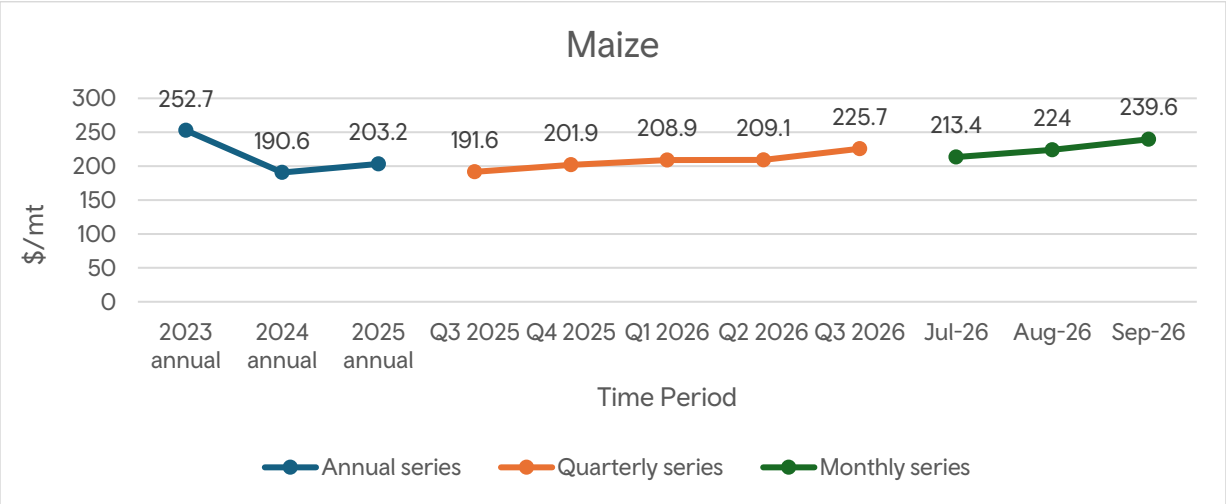
Cereals

Maize prices have been steadily increasing since 2025, although are still below the highs of 2023. The price closed at $239.6/mt in September, up by nearly 15% from the beginning of this year, and only 5% below the 2023 highpoint of $252.7/mt (**Chart 30**).

The US Department of Agriculture (USDA) lowered US yield and production forecasts in September and reduced projected stocks[49]. The October Market Monitor from the Agricultural Market Information System (AMIS) also noted lower production forecasts for maize, reflecting weaker crop forecasts in the EU and the US. The persistent rain deficits in Europe, along with hot weather, have continued to worsen crop conditions in western and central Europe[50].

[49] https://www.usda.gov/oce/commodity/wasde/wasde0926.pdf
[50] AMIS Market Monitor, October 2026

CHART 30: MAIZE PRICE MOVEMENTS

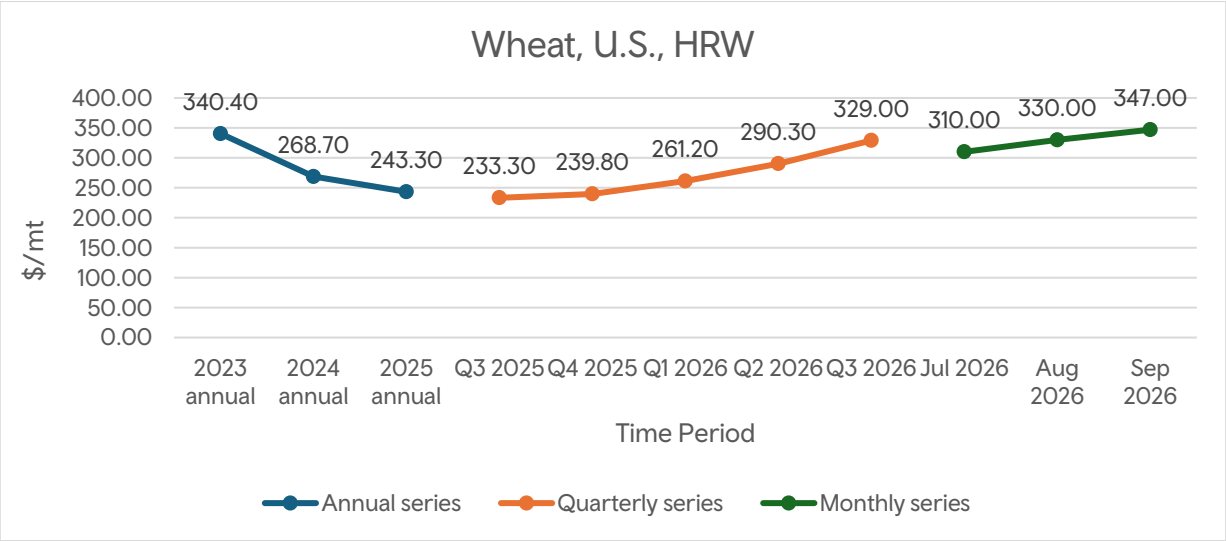


Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Chart 31 shows the price movements of US Hard Red Winter Wheat. The price has been increasing steadily over the last 12 months. The closing price of $347/mt is nearly 33% higher than the wheat price at the start of the year, and nearly 50% higher than Q3 2025.

Prices have increased recently due to the disruptions to Black Sea grain exports because of attacks on port infrastructure. Australian wheat production is forecast well below last year's record harvest. The persistent heat and dryness in the US South Plains are a concern for the winter wheat sowing which is beginning[51].

CHART 31: US HARD RED WINTER WHEAT PRICE MOVEMENTS



Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

[51] AMIS Market Monitor, October 2026

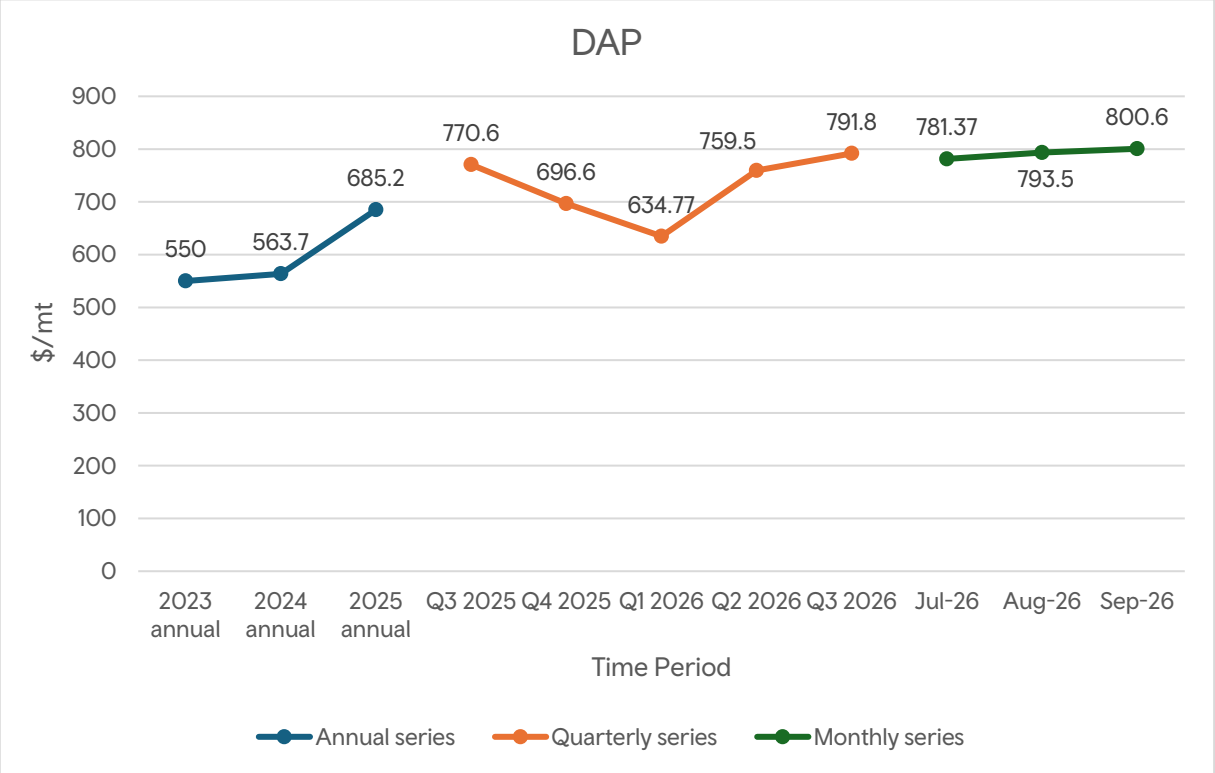
Fertilisers

Fertiliser prices diverged during July to September 2026, with DAP (diammonium phosphate) continuing to rise, potassium chloride easing and urea falling sharply from its Q2 peak before recovering slightly in September.

Chart 32 shows DAP prices closing at $800.6/mt, compared with $634.77/mt at the start of 2026, an increase of 26%. The increase has slowed in recent months, to a 2.5% rise since July.

The disruptions to shipments of sulphur and ammonia shipment through the Strait of Hormuz continue to put pressure on DAP prices, as these materials are important inputs for phosphate fertiliser production. The Australian Fertilizer Corporation noted restricted Chinese exports, logistical constraints and production reductions in their weekly update in mid-September[52].

CHART 32: DAP (DIAMMONIUM PHOSPHATE) PRICE MOVEMENTS

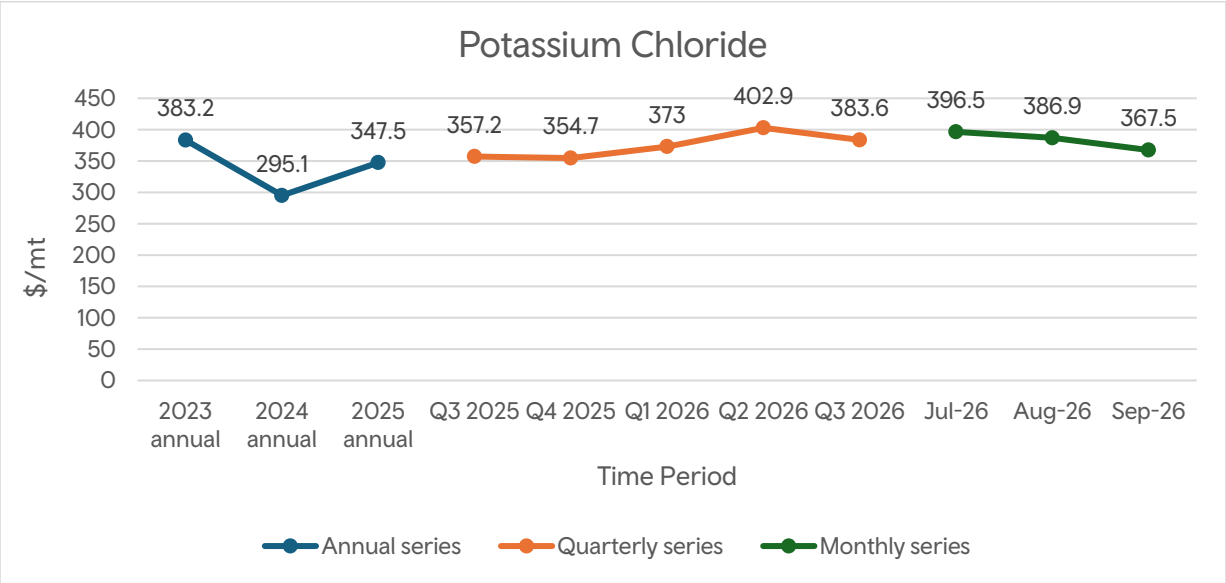


Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Chart 33 shows that potassium chloride prices increased at the start of this year and through to the second quarter before falling back and closing at $367.5/mt, down nearly 9% from its high of $402.9/mt at the end of Q2.

[52] https://ausfertcorp.com/wp-content/uploads/2026/09/afc-media-release-weekly-update-20260918.pdf

CHART 33: POTASSIUM CHLORIDE PRICE MOVEMENTS

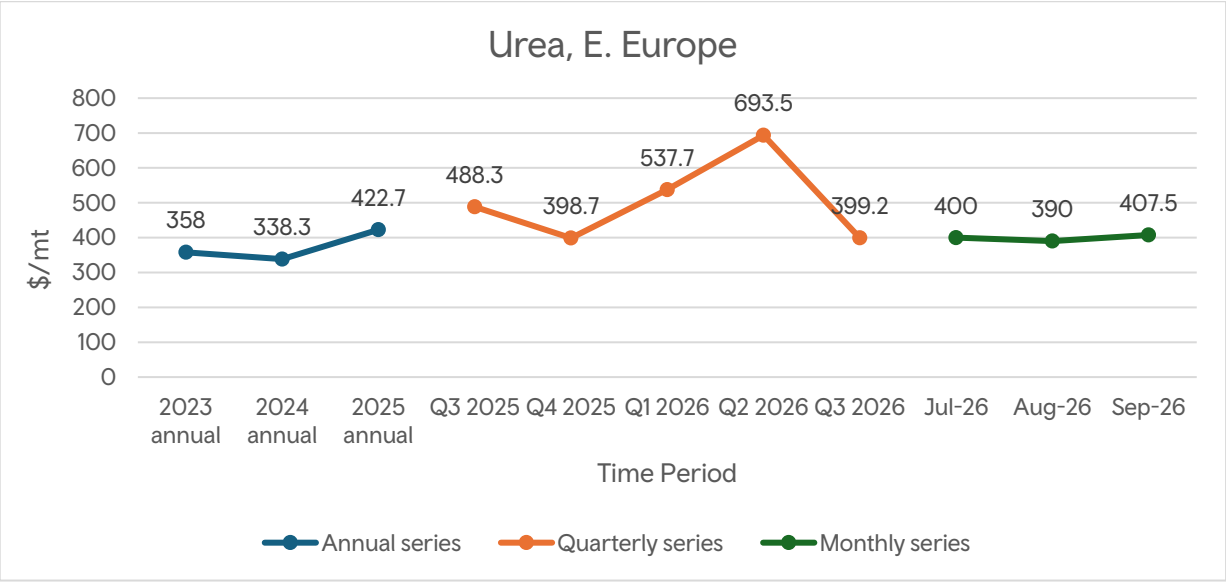


Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Chart 34 shows a relatively stable price for urea during the last three months. This followed a steep rise of nearly 75% between the end of 2025 and the end of Q2 in 2026, before falling by around 42% during Q3.

The price surge in the earlier part of the year was due to disrupted Middle Eastern exports, regional production outages and reduced LNG availability which affected urea production in India. Prices fell as demand reached a seasonal low.

CHART 34: UREA PRICE MOVEMENTS



Source: World Bank Commodities Price Data (The Pink Sheet), October 2 2026, accessed 04/10/26

Global commodity prices show a mixed but increasingly pressured outlook, with cereals, vegetable oils, soybeans and sugar rising, while coffee and beef have eased from earlier peaks. Cocoa remains volatile, and fertiliser trends diverge, reflecting differing exposure to energy costs, export restrictions and disrupted shipping. Weather-related production losses, uncertainty over El Niño and disruption to Black Sea exports are combining with strong demand for animal feed and biofuels to influence prices. For Welsh food and drink manufacturers, these movements affect ingredient purchasing costs directly and meat and dairy costs indirectly through feed and fertiliser pressures. Recent price falls may offer purchasing opportunities, but businesses should assess their own supplier prices, contract renewal dates and sourcing dependencies, as global benchmarks do not translate immediately or uniformly into delivered costs. Maintaining margins will require careful forecasting, supplier engagement and consideration of alternative ingredients or sources where product quality and specifications allow.

UK Commodities and Input Prices

Crops

AHDB published its 'Harvest progress in the UK' report in September. This noted that, overall, 2026 yields are disappointing and highly variable, reflecting the limited rainfall since spring.

Chart 35 shows that all harvests are complete, except spring barley which is 99% complete. Winter barley is the only crop which is broadly unchanged in comparison to historical yields, with the winter oilseed rape harvest being above 2025 and around 20% above the historical average. Winter wheat, spring barley and oats harvests are below last year's and range from 11% to 17% below historical averages.

CHART 35: HARVEST PROGRESS AND YIELDS REPORTED UP TO 21 SEPTEMBER

Crop	Harvest 2026: % complete	Harvest 2026: estimated UK average yield to date, t/ha[3]	Historical yields: UK 2025 average, t/ha	Historical yields: UK 10-year average, t/ha	Historical yields: UK 10-year range, t/ha
Wheat	100%	6.9	7.2	7.9	7.0-8.9
Winter barley	100%	6.9	6.8	6.9	6.2-7.8
Spring barley	99%	4.8	5.4	5.7	5.2-6.3
Winter oilseed rape[1]	100%	4.0	3.7	3.3	2.7-3.9
Oats[2]	100%	4.6	4.9	5.4	4.9-5.9

Source: AHDB, Harvest Progress in the UK, accessed 04/10/26

Fertilisers

Chart 36 shows the prices of commonly used fertilisers. The prices of UK produced and imported ammonia nitrate and nitrate sulphur remain 20-21% above the prices at the start of this year, before the US-Israel-Iran conflict started. The price of granular urea has fallen from the highs noted earlier in the year and is now just under 5% higher than the pre-conflict price[53].

CHART 36: WEEKLY GREAT BRITAIN FERTILISER PRICES (£/TONNE)

Product	25/09/2026 £/tonne	18/09/2026 £/tonne	Weekly change (£)**	Weekly change (%)	Pre-conflict change (£)***	Pre-conflict change (%)***
AN – UK produced (34.5% N)	£484	£472	£12	2.6%	£82	20.3%
AN – imported* (34.5% N)	£488	£481	£7	1.4%	£84	20.8%
Granular Urea - standard specification (46% N)	£477	£476	£1	0.2%	£22	4.8%
UAN (30% N w/w kg per tonne)	£403	£397	£6	1.6%	£61	17.8%
Muriate of Potash (MOP)	£367	£367	no change	no change	£1	0.4%
Diammonium Phosphate (DAP)	£795	£794	£1	0.2%	£76	10.5%
Triple Super Phosphate (TSP)	£641	£633	£9	1.4%	£115	22.0%
Polysulphate - UK produced	£240	£241	-£1	-0.5%	-£6	-2.5%
Nitrate Sulphur (26% N + 30-37% SO_3)	£482	£485	-£3	-0.7%	£82	20.4%

Source: AHDB, GB fertiliser prices, accessed 04/10/26

[53] https://ahdb.org.uk/GB-fertiliser-prices

Dairy

AHDB updated its UK dairy wholesale prices on 25th September, noting that milk volumes have remained weak across the UK. Areas which were less impacted by the summer droughts are reporting better milk. Although grass growth is now back in line with seasonal norms, winter forage could still be tight and bluetongue remains a concern. Tightness of dairy supplies in the UK are supporting commodity prices[54]. The increasing price of skimmed milk powder (SMP) reflects the growing global consumer demand for protein. AHDB further reported that despite some price rises for mild cheddar, they remain too low to cover milk price rises that have been experienced.

Chart 37 shows the wholesale prices for bulk cream, butter, skimmed milk powder and mild cheddar. All prices have risen in the last month, ranging from a 3% increase for butter to 11% increase for SMP. Bulk cream and butter prices have dropped by 34% and 36% respectively compared with 12 months ago and mild cheddar has dropped by 3%. SMP has increased by 43% year-on-year.

CHART 37: UK DAIRY WHOLESALE PRICES

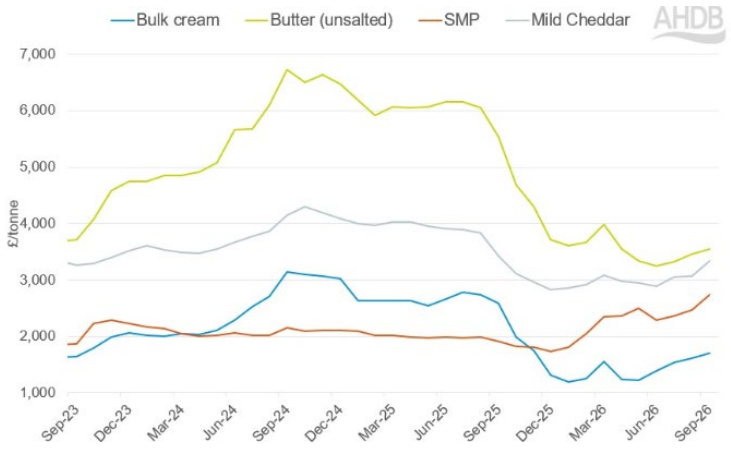
Product	Sep 2026 average (£/tonne)	Range(£)	Aug 2026 average (£/tonne)	Percentage change	Sep 2025 average (£/tonne)	Year-on-year Percentage change
Bulk cream	1,708	n.a	1,607	6%	2,587	-34%
Butter	3,540	350	3,450	3%	5,540	-36%
SMP	2,730	250	2,470	11%	1,910	43%
Mild Cheddar	3,330	385	3,060	9%	3,420	-3%

Source: AHDB, UK dairy wholesale prices, accessed 04/10/26

Chart 38 shows the average UK wholesale prices from September 2023 to September 2026, measured in £ per tonne. Butter prices remain consistently higher than the other products. Although they are now at lower levels, the price has been nudging up again. All four products show a steep decline from late summery 2025 and into early 2026, and all four prices are now going back up.

[54] https://ahdb.org.uk/dairy/uk-wholesale-prices

CHART 38: UK DAIRY PRODUCT WHOLESALE PRICES SINCE SEPTEMBER 2023



Source: AHDB, UK dairy wholesale prices, accessed 04/10/26

UK Fuel Prices

Chart 39 shows that the price UK red diesel has risen by just over 50% in the last 12 months, with the UK diesel pump price rising by just over 35%. In the last month, UK red diesel and UK diesel pump prices have risen by 7.8% and 5.4% respectively.

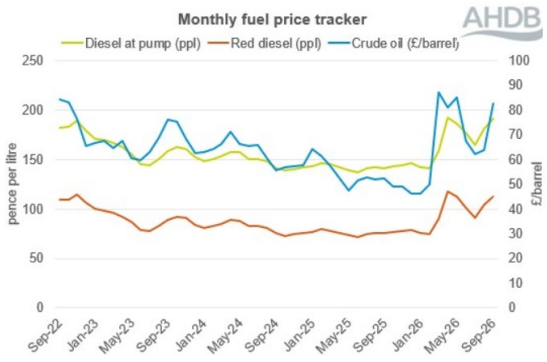
Chart 40 shows the steep increase in fuel prices earlier in the year when the conflict between the US, Israel and Iran started. The prices dropped from late spring and into early summer when diplomatic negotiations progressed to the memorandum of understanding (MOU) and shipping started to move through the Strait of Hormuz, albeit at much lower levels than before the war. However, prices climbed again when the MOU expired and shipments ceased.

CHART 39: MONTHLY FUEL PRICES

Month	OPEC price (US$ / barrel)	OPEC price (£ / barrel)	UK red diesel (ppl)*	UK diesel pump price (ppl)
Sep-26	110.59	82.43	112.95	191.30
Aug-26	86.44	63.83	104.77	181.49
Month-on-month change	24.15	18.60	8.18	9.81
% change	27.9%	29.1%	7.8%	5.4%
Sep-25	70.61	52.30	75.21	141.57
Year-on-year change	39.98	30.13	37.74	49.73
% change	56.6%	57.6%	50.2%	35.1%

Source: AHDB, Monthly Fuel Tracker, accessed 07/10/26

CHART 40: MONTHLY FUEL PRICE TRACKER



Source: AHDB, Monthly Fuel Tracker, accessed 07/10/26

Energy

UK electricity has increased £70.26/megawatt hour (MWh) or 85.75% since the beginning of 2026. Whilst significant, this remains substantially lower than the all-time high of £580.55/MWh) reached in September 2022[55].

Chart 41 shows the sharp increase in price of UK electricity spot prices following the start of the conflict in the Middle East, with spot prices then falling until May. Since then, there is an upward trend in the price, reaching £152.94/MWh) on 2nd October 2026.

CHART 41: UK ELECTRICITY SPOT PRICES



Source: Trading Economics, UK Electricity Spot Prices, accessed 04/10/26

Trading Economics reported that UK natural gas prices remain above 180 pence a therm, up around 146% so far this year with supply concerns intensifying around the Strait of Hormuz. Britain is particularly exposed due to limited gas-storage capacity and relies heavily on seaborne LNG imports when demand rises or renewable generation weakens. Europe has greater storage capacity but is facing low inventories, with facilities around 71% full compared to the five-year seasonal average of 87%. Deliveries to the UK are about 4% below last year on a 30-day average. Prolonged disruption through Hormuz is increasing competition between European and Asian buyers for LNG[56].

Chart 42 shows the sharp increase in the price of UK natural gas at the start of March, coinciding with the outbreak of conflict in the Middle East. The price fell back until July, when it started to rise steeply again, closing out at 188.10 pence per therm on 3rd October.

[55] https://tradingeconomics.com/united-kingdom/electricity-price
[56] https://tradingeconomics.com/commodity/uk-natural-gas

CHART 42: UK NATURAL GAS PRICES



Source: Trading Economics, UK Natural Gas Prices, accessed 04/10/26

WHY THIS MATTERS FOR WELSH FOOD AND DRINK MANUFACTURERS

UK commodity and input prices indicate mounting cost pressures, with disappointing cereal harvests, renewed increases in dairy wholesale prices and sharply higher fuel and energy costs. Fertiliser prices have eased for some products but remain above pre-conflict levels, while limited winter forage could add further pressure to livestock production. For Welsh food and drink manufacturers, these developments could increase ingredient, processing, refrigeration and distribution costs simultaneously, squeezing margins and working capital. Businesses should review supplier forecasts, energy contracts and transport charges alongside customer pricing commitments, recognising that wholesale price movements may take time to feed through into actual bills. Improving operational and energy efficiency, reducing production waste and strengthening procurement planning will help manufacturers manage these pressures while maintaining product quality and reliable supply.

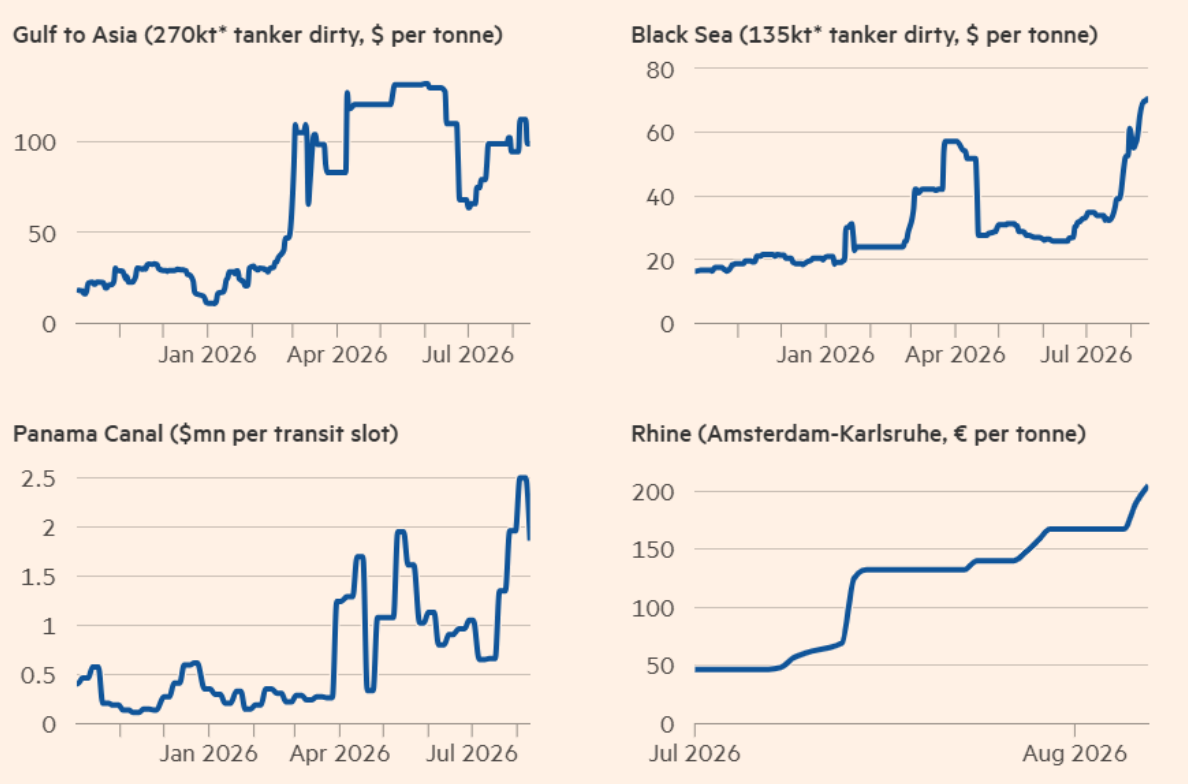
Logistics

Climate change and geopolitical events are impacting the cost of shipping goods through many of the world's maritime chokepoints. These increased costs could flow through to higher consumer prices and inflation and serve to demonstrate the fragility of global supply chains.

Key shipping routes affected are the Panama Canal, the Rhine, the Red Sea, Strait of Hormuz and the Black Sea. The impacts on logistics in the Red Sea, Strait of Hormuz and the Black Sea are noted in the section "Conflict".

Chart 43 shows example shipping routes and long-term trends of increasing rates across each shipping route.[57]

CHART 43: SHIPPING PRICES



Source: FT, accessed 05/10/26

The FT reported in August that prices for the busiest shipping lanes in the Panama Canal have a hit a new record due to constraints on traffic because of falling water levels linked to an intensifying El Niño and strong demand driven by the US-Israel-Iran war. Daily auctions for a transit slot in August through the canal's commonly used locks average

[57] War and climate change drive surge in global shipping costs

about $1.1million in August, more than 16 times the average prices for the same period last year.[58] A strengthening El Niño, potentially causing severe drought and warmer winter temperatures, lowering the water levels in the canal. This will limit the amount cargo ships can carry through and possibly limit the number of passage slots available.

Other sea routes are being explored to avoid these maritime chokepoints. The FT reported in early October that there were 133 voyages via the Arctic (Northern Sea Route), more than quadruple what they were in 2022, and up 46% compared with August[59].

The low water levels across Europe's main waterways, such as the Rhine, Danube, Loire and Po, have been widely reported over the summer, with impacts on shipping, energy generation and agriculture. The International Transport Forum issued a factsheet in September about droughts and river transport[60]. Impacts highlighted included:

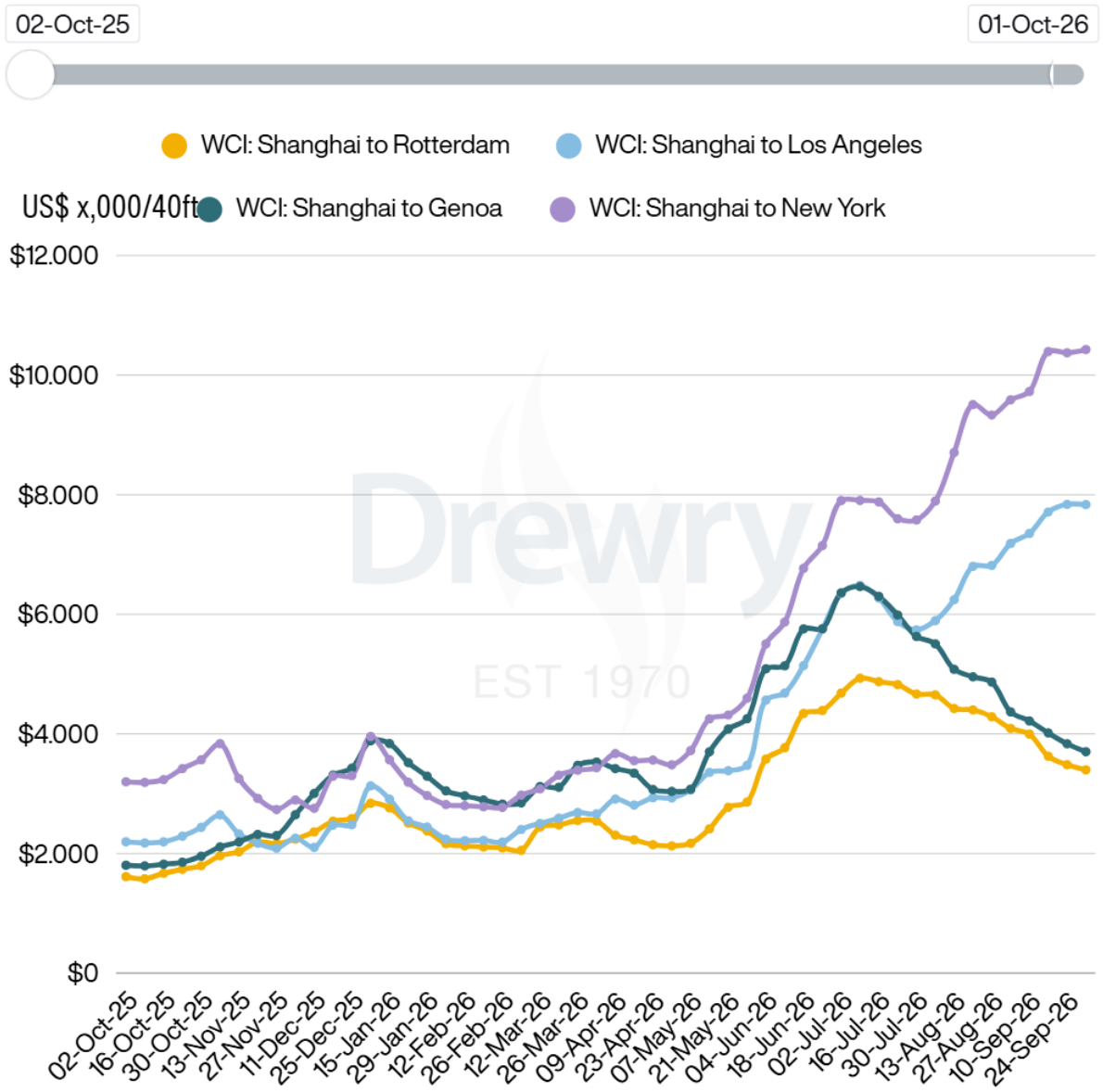
- In August 2026, barges coming from Rotterdam or Antwerp were only able to navigate on the middle Rhine loaded at 15% of their cargo-carrying capacity to avoid grounding
- Carrying capacity on the Danube was reduced to about 30%
- Reduced carrying capacity per barge means rates for barge transport have increased via surcharges and increases in spot rates
- With a lack of barge capacity, multi-modal solutions are being sought, utilising rail and road transport. This requires extra capacity in both modes of transport; capacity which may not be available when needed
- Cargo may remain longer in ports because barges are carrying substantially smaller loads and may face delays in diverting to rail or road
- These challenges translate into higher costs and greater uncertainty

According to Drewry World Container Index (WCI), container rates for China to US remain elevated, following falling rates until the end of July, when they began to climb steeply again. The rates during the last few weeks of September have levelled off. Conversely, container rates from China to Europe have continued to fall since July[61]. Rates on the Asia-Europe trade routes have declined for 12 consecutive weeks. Increasing Suez Canal transits are adding capacity, although uncertainty around Houthi activity remains. Drewry warns that container rates will remain volatile with demand, capacity changes and geopolitical developments influencing freight rates.

Chart 44 shows the rates for Asia-US routes and Asia-Europe routes. The Asia-US rates are shown in purple and blue; the Asia-Europe rates are shown in yellow and green.

[58] Panama Canal fees hit record high as El Niño and Iran war choke shipping
[59] Arctic sea routes boom as Gulf war and global warming divert shipping
[60] https://www.itf-oecd.org/droughts-river-transport
[61] https://www.drewry.co.uk/supply-chain-advisors/supply-chain-expertise/world-container-index-assessed-by-drewry

CHART 44: WORLD CONTAINER RATES



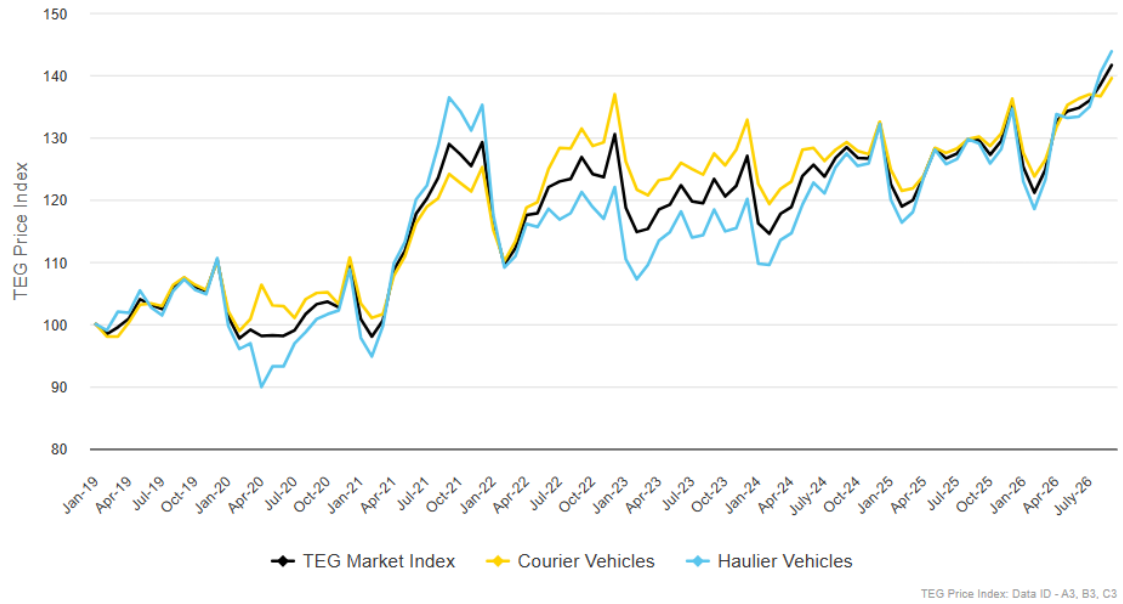
Source: Drewry World Container Index, accessed 05/10/26

The TEG Index[62] tracks the average prices paid for UK haulage and courier services. Haulage rates have increased by nearly 11.5% since August 2025, and courier rates have increased by just over 7% in the same period. Both have seen a monthly increase of 2.42% and 2.12% between August and September 2026 for haulage and courier rates respectively. Strong demand and higher fuel prices were the two key factors influencing transport pricing during September.

[62] https://teg.tech/road-transport-price-index/sep-26/

Chart 45 shows the general upward trend in courier rates (the yellow line) and haulier vehicles (the blue line). The black line shows the TEG Market Index.

CHART 45: HAULAGE RATES



Source: TEG Index, accessed 05/10/26

WHY THIS MATTERS FOR WELSH FOOD AND DRINK MANUFACTURERS

For Welsh food and drink manufacturers, these logistical pressures mean higher and less predictable costs for imported ingredients, packaging and finished-product distribution, alongside greater uncertainty over delivery times. Disruptions interrupt production schedules, increase stockholding and working capital requirements, and shorten the remaining shelf life of perishable supplies. Rising UK haulage costs add pressure even for businesses sourcing and distributing locally, while unreliable export routes can weaken competitiveness and customer service. Although freight rates are falling on some routes, businesses should assess their exposure to critical UK and international chokepoints, review delivery assumptions and explore alternative suppliers, routes and proportionate and affordable stock buffers to protect production and margins.

Export Restrictions

Export restriction risks during the summer period have related to diesel, fertiliser and sugar. In July 2026, Russia announced the expansion of the temporary ban on exports of diesel fuel, marine fuel and other gas oils to include petroleum producers. The ban has been extended several times and is currently in place until 31st October 2026[63].

There was speculation during September that the US administration would announce a ban on diesel exports to reduce domestic fuel prices. In early October, and following the announcement that G7 countries would release oil and diesel stores, there were media reports that this potential ban was no longer being considered[64].

According to S&P Global, there is uncertainty around China's exports of phosphate fertilisers with producers yet to receive official guidance about whether exports can resume following the suspension announced in December and due to last until August 2026[65].

The Inter-American Institute for Cooperation on Agriculture (IICA) published a blog in August summarising some of the fertiliser export restrictions which have been implemented this year[66]. Russia introduced export restrictions on fertiliser mixes, which are effective from June until November 2026. Brazil and India are likely to be most exposed as both countries are key importers of Russian fertilisers. The blog further notes that Egypt imposed an export tax on nitrogenous fertilisers which was in place until August 2026. However, this has now been repealed[67].

In May, India banned sugar exports with immediate effect until September 2026[68]. The Indian government confirmed that if the ban is not extended, the export policy for sugar categories would automatically revert to the "restricted" category.

[63] https://globaltradealert.org/state-act/99145-russia-temporary-ban-on-exports-of-diesel-fuel-marine-fuel-and-other-gas-oils-extended-to-petroleum-producers
[64] https://www.ft.com/content/97200b07-755c-40ce-a50b-b51666bd4b7e?syn-25a6b1a6=1
[65] https://www.spglobal.com/energy/en/news-research/latest-news/agriculture/090226-china-dap-map-exports-remain-uncertain-as-september-begins
[66] https://blog.iica.int/en/blog/hidden-cost-fertilizer-export-restrictions-times-crisis
[67] https://globaltradealert.org/state-act/99816-egypt-government-repeals-export-duties-on-nitrogenous-fertilisers
[68] https://ddnews.gov.in/en/india-bans-sugar-exports-with-immediate-effect-until-september-2026/

WHY THIS MATTERS FOR WELSH FOOD AND DRINK MANUFACTURERS

Restrictions on diesel exports increase the risk of higher fuel, transport and distribution costs, affecting both inbound raw materials and outbound deliveries. Uncertainty around fertiliser exports from Russia and China could contribute to higher agricultural input costs and reduced crop yields globally, placing upward pressure on the prices of key ingredients sourced from the UK and overseas. Meanwhile, restrictions on sugar exports from India could tighten global sugar supplies and increase costs for manufacturers that rely on sugar as a significant ingredient. These measures illustrate how geopolitical and trade policy decisions can impact Welsh food and drink manufacturers and the need to monitor supply risks, diversify sourcing strategies and strengthen contingency planning.

Economy

The 12-month inflation rate for food and non-alcoholic beverages was 1.3% in August 2026, with the overall inflation rate being 3.3%, up from 3.1% in the previous month. Transport, particularly motor fuels, made the largest upward contribution to the monthly change[69].

Chart 46 shows that the inflation rate for food and non-alcoholic beverages has fallen in the last 12 months. The IGD published its food inflation forecast in September, noting that whilst food inflation has been lower than expected in 2026, the rate is expected to increase into 2027 and 2028 as further pressures mount from climate impacts, energy costs, El Niño and changes to the regulatory landscape[70]. The impacts of reduced crop yields from the summer of droughts and extreme heat will add to inflationary pressures, along with continued geopolitical disruptions.

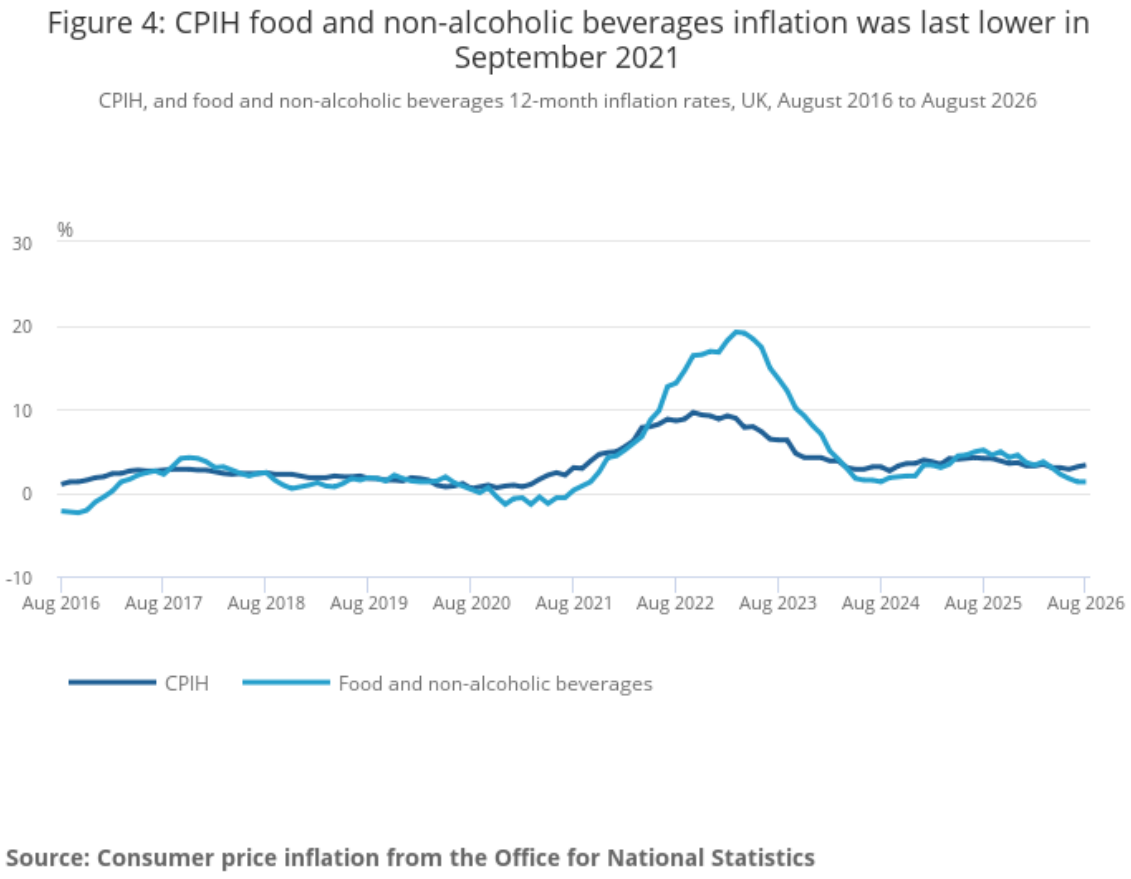
The Bank of England maintained the bank rate at 3.75% in September, although three members voted to raise the rate to 4%. The Monetary Policy Committee, in making its decision to hold the bank rate, noted that global energy prices had risen significantly since the July decision and continue to be volatile. The increases in oil, gas and refined products are impacting consumer price inflation. It also noted the impacts on agricultural and livestock prices, and the possibility of these prices increasing further due to the severe El Niño[71].

69 https://www.ons.gov.uk/economy/inflationandpriceindices/bulletins/consumerpriceinflation/august2026

70 https://www.igd.com/social-impact/economics/reports/viewpoint-food-inflation-pressures-ahead/74082#page=2

71 https://www.bankofengland.co.uk/monetary-policy-summary-and-minutes/2026/september-2026

CHART 46: FOOD & NON-ALCOHOLIC BEVERAGES INFLATION



Source: Office for National Statistics, Consumer Price Inflation, UK August 2026, accessed 06/10/26

WHY THIS MATTERS FOR WELSH FOOD AND DRINK MANUFACTURERS

For Welsh food and drink manufacturers, the principal concern is the squeeze between rising production costs and limited capacity of consumers to absorb further prices increases. Manufacturers will need to balance investment in productivity and efficiency improvements with managing rising input costs to maintain or improve product margins.

El Niño Update

The BBC reported in September that the developing El Niño is now the strongest on record, according to scientists monitoring Pacific Ocean temperatures. On 19th September, daily sea surface temperatures in the central-eastern Pacific were 3.05°C above average, exceeding the previous record of 3.02°C set during the very strong El Niño of 2015. El Niño is still developing and is expected to peak in the coming weeks towards the end of 2026. However, weather impacts are already being felt, with below average monsoon rainfall in India, increased rainfall and floods in southern USA and parts of Central and South America as well as drought and drier temperatures in other parts of South America, Australia and Indonesia. The report further highlighted possible impacts on the UK and north-west Europe, including increased rainfall and storminess in November and December. However, El Niño can also be associated with colder conditions in the UK, so it is difficult to accurately predict the direct weather impacts on the UK[72].

The Guardian reported that the most recent forecasts predict a peak of 4.0°C in November and December, a level far above previous events[73].

The impacts of El Niño will last well into 2027, with global temperatures expected to increase due to the lag effect of El Niño, with 2027 expected to become the hottest year ever recorded.

The UK Government publish an analysis of the impacts of El Niño on the UK which noted that the event will put the global food system under further stress whilst hampering the autumn-winter-spring crop planting season in the UK if wetter and stormier conditions prevail[74].

The ECIU published a report in early September, noting that the UK imports two fifths of our food from overseas, and a quarter of these imports come from regions most likely to be directly impacted by El Niño[75].

Asia and Australia typically experience drier, hotter weather under El Niño conditions. Asia has weaker monsoon rains, stronger heatwaves, droughts and water shortages, with water-hungry crops such as rice and maize under particular strain. The 2023/24 El Niño reduced rice production in southeast Asia, leading to India, the world's biggest rice exporter, to impose export bans. Prices rose by more than a fifth and hit a 15-year high. The UK imports a third of its coffee volumes from Asia.

West Africa provides most of the world's cocoa, with Côte d'Ivoire and Ghana being the source of around 80% of UK cocoa imports. Cocoa prices continued to climb after the last El Niño in 2023/25, demonstrating the lag affect that occurs. Whilst prices started to drop

[72] Developing El Niño becomes strongest on record weeks before expected peak - BBC Weather
[73] 'Jaw-dropping' El Niño bursts through temperature record months before peak | El Niño southern oscillation | The Guardian
[74] Impacts of El Niño on the UK - GOV.UK
[75] https://eciu.net/analysis/reports/el-ni%C3%B1o-quarter-of-uk-food-imports-including-rice-coffee-and-cocoa-from-parts-of-world-most-exposed

from the middle of last year through to the beginning of this year, they are climbing again in anticipation of this year's El Niño.

El Niño leads to higher temperatures and droughts in South America, combined with heavier and more intense tropical storms, often leading to flooding.

North America can experience diverse impacts from El Niño, including making northern USA and Canada drier and warmer than usual. This may negatively impact soy production in the Midwest states and provinces as soy is a water intensive crop. Similarly, much of North America's maize crop is grown in the Midwest where longer and more intense heat and drought caused by El Niño may reduce growing seasons and diminish yields.

The table below highlights the historic El Niño impacts on five key commodities:

Commodity	Country / region of origin	2025 Imports – value & volume	El Niño impacts
Rice	India	£177.3 million 239 million kg	Below average monsoon rainfall, delayed planting, extreme flooding in Pakistan which hit harvests. Restrictions on exports, supply shortages driving up prices.
Cocoa	West Africa	£336.9 million 59.3 million kg	Under the last El Niño, West African cocoa producing regions initially had too much rain, causing crops to rot. Then drought conditions prevailed. This led to cocoa prices hitting record highs, at thousands of pounds per tonne. Volumes purchased by the UK in 2025 rose by 9% compared to 2024, but the value rose by 112%.

Commodity	Country / region of origin	2025 Imports – value & volume	El Niño impacts
Coffee	Brazil	£262.1 million 47.7 million kg	Both Arabica and Robusta coffee are vulnerable to climate change driven extremes. During the last El Niño, South American coffee producers faced erratic rainfall, heat and disease, as well as pressure of heat stress on workers. Following the 2023/24 El Niño, the value of coffee imports from Brazil rose by 32% whilst volumes fell by 25%. The price per kilo increased by 77% in 2025
Soybeans	Brazil	£171.5 million 505.5 million kg	The UK relies on imported soybeans to feed livestock. El Niño can have a positive impact on soybean production. However, the risks of droughts and wildfires are intensified during El Niño years
Wheat	Canada, India, Australia, China, Pakistan, Russia, Germany, France	Canada: £172.0 million 691.4 million kg	The UK's key partners for wheat imports are Canada, Germany and France. Whilst the UK imports relatively little wheat from the other countries, El Niño impacts of hotter and drier conditions in key producing regions reduces harvests, tighten global supplies and drives up international wheat prices which are felt in the UK.

Source: Adapted from ECUI report, El Niño 2026/27 and UK food imports, September 2026, accessed 06/10/26

Impacts on domestic primary production

Europe is less directly impacted by El Niño. However, climate change is already making the UK's winters milder and wetter and the Met Office has warned that this year's El Niño could lead to wetter and stormier conditions this winter[76]. With warmer air holding more moisture, storms could bring heavier rainfall and greater flood risks.

The last El Niño began in July 2023 and ran until March 2024. The winter half-year from October 2023 to March 2024 was the wettest on record for both England and Wales, with widespread flooding, waterlogged soils and severe disruption to agricultural production. Winter planting was hampered by saturated soils and flooding. Continued wet conditions into spring disrupted the planting of spring crops. Wheat and winter barley production fell by 20% and 24% respectively. England recorded its second worst harvest on record. The prolonged rain also impacted livestock production with reduced grass growth and damaged silage quality. The wet weather constrained grazing and forage production, with farmers having to purchase additional feed at higher cost.

WHY THIS MATTERS FOR WELSH FOOD AND DRINK MANUFACTURERS

El Niño represents a key supply chain and cost volatility risk as well as potential weather risks in the UK through more extreme events. Whilst some businesses may have little direct exposure to suppliers in El Niño affected countries, they may still face higher costs through global commodity markets for coffee, cocoa, cereals, animal feeds, and some ingredients. The examples of impacts on the five commodities listed highlight the risks of paying 'more for less' where volume imports have reduced whilst values have increased. Simultaneous disruption across several producing regions could reduce opportunities to switch suppliers and increase competition and demand for available supplies. Wetter UK conditions could compound these pressures. Manufacturers should audit their supply chains to identify ingredients and raw materials sourced from climate-sensitive regions and understand their exposure. Horizon scanning commodity and weather indicators will help decision making about stock holding levels, contracts and contingency planning. El Niño is likely to amplify existing climate pressures across multiple food-producing regions at the same time, increasing the likelihood that climate risks convert into availability, price, quality and margin pressures.

[76] https://www.metoffice.gov.uk/blog/2026/an-unprecedented-el-nio-and-its-implications-for-the-weather-forecast

Outlook and Considerations

Welsh food and drink manufacturers face a challenging outlook as climate pressures, geopolitical disruption and rising operating costs reinforce one another. This report highlights how disruption can affect several parts of a supply chain simultaneously, from agricultural production and ingredient availability to energy, logistics and manufacturing continuity. Businesses should prepare for continued volatility into 2027, recognising that recent falls in some commodity prices offer limited assurance of sustained relief.

The effects of summer heat and drought may persist through reduced harvests, constrained winter forage and pressure on livestock productivity. For Welsh manufacturers, this creates exposure through both domestic agricultural suppliers and imported ingredients. The developing El Niño adds uncertainty to international crop prospects, particularly for coffee, cocoa, sugar, rice and vegetable oils. Its direct influence on UK winter weather remains uncertain, but businesses should consider the consequences of flooding, disrupted deliveries and delayed planting alongside continuing water shortages.

Conflict-related disruption to energy supplies and shipping routes remains a significant concern. With the recent attacks from Houthi fighters on Saudi Arabia's infrastructure, the risks of increasing oil prices remain high. These higher gas, electricity and diesel costs can increase processing, refrigeration and distribution expenditure, while fertiliser pressures may feed through to future agricultural costs. Export restrictions and transport bottlenecks could further constrain availability. Manufacturers should therefore assess the combined effect on margins, cash flow and their ability to meet customer commitments.

Practical priorities for Welsh food and drink manufacturers include:

- Identifying critical ingredients and suppliers, understanding sourcing regions and transport dependencies, and agreeing contingency arrangements
- Alternative sources, appropriate stock levels and flexible delivery plans should be evaluated against shelf life, quality requirements and working capital
- Energy and water efficiency, refrigeration reliability and flood preparedness can strengthen operational resilience while reducing costs
- Regular discussions with suppliers and customers will help businesses anticipate changes and review pricing and contractual commitments
- Horizon scanning for risks and planning for different scenarios will help with preparedness
- Maintaining a close watch on how input price increases could impact margins and cashflows remains as important as ever.

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, this data remains 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 September and October 2026, 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 Organization 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 – 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 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.

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