West Asia Conflict and India's Food Security

Mains: *GS II – International issues| GS III - Economy*

Why in News?

The ongoing geopolitical tensions in West Asia, particularly involving Israel, Iran, and the United States, are increasingly generating far-reaching economic consequences.

What are the strategic importance of west Asia for India?

- **Crude oil** – Nearly 85–90% of India's crude oil requirements are met through imports, with about 40% transiting through the Strait of Hormuz.
- **LPG** – Additionally, a significant share of liquefied petroleum gas (LPG) and fertiliser inputs originates from this region.
- This dependence creates a direct vulnerability: any disruption in energy supply chains translates into higher input costs across sectors.
- Agriculture – It relies heavily on fuel, fertilisers, and logistics, and such disruptions can significantly affect productivity and food prices.
- **Fertiliser imports –** The Gulf region plays a central role in India's fertiliser supply chain.
- Countries such as Saudi Arabia, Oman, and Qatar account for a major share of imports.
    - Around 63% of India's urea imports originate from Gulf nations
    - Approximately 32% of DAP imports come from this region
- India has entered long-term agreements with Saudi Arabia to secure DAP supplies
- Additionally, India imports significant quantities of potash and rock phosphate, with domestic production meeting only a fraction of demand.
- Thus, any disruption in Gulf supply routes—due to conflict or shipping constraints—directly impacts fertiliser availability in India.
- **Fertiliser supply chains under stress –** A key channel through which geopolitical tensions affect food security is fertiliser availability.
- Fertiliser production, especially urea, is closely linked to natural gas availability.
- Disruptions in gas supply from Gulf countries increase production costs and reduce global supply.
- Recent developments illustrate this challenge.
- Production disruptions in the United Arab Emirates and shutdowns of major facilities such as those operated by Qatar Fertiliser Company have contributed to a sharp rise in fertiliser prices.
- Urea prices have reportedly increased by 30–40% since the onset of the conflict.
- Globally, even advanced economies like the United States have faced fertiliser

shortages, indicating the scale of disruption.
- For India, which is heavily dependent on fertiliser imports, the implications are far more severe.
- **India's fertiliser dependency –** India is the world's second-largest consumer and third-largest producer of fertilisers.
- However, domestic production is insufficient to meet demand. In 2023–24, India consumed about 601 lakh metric tonnes (LMT) of fertilisers, of which approximately 177 LMT were imported.
- Import dependence varies across nutrients:
    - **DAP (Di-Ammonium Phosphate)** – Domestic production meets only about 40% of demand.
    - **MOP (Muriate of Potash)** – Almost 100% imported.
    - **Urea** – Significant imports despite substantial domestic production.
- Projections indicate that fertiliser imports could exceed 22 million tonnes in 2025–26, reflecting rising demand and limited domestic capacity.
- This high level of dependence makes India vulnerable to global supply disruptions and price volatility.

How rising fertiliser prices and shortages create multiple challenges?

- **Increased input costs –** Farmers face higher costs for fertilisers, diesel, and transportation.
- **Reduced fertiliser usage –** To manage costs, farmers may reduce fertiliser application, leading to lower yields.
- **Declining agricultural productivity –** Lower input use directly affects crop output and food availability.
- **Rising food inflation –** Higher production costs are passed on to consumers, increasing food prices.

In a country where agriculture supports nearly 46% of the population and contributes about 16% to GDP, these effects have wide-ranging economic and social implications.

What are the other impacts?

- **Impact on farmers and rural economy –** The burden of rising input costs falls disproportionately on farmers.
- Climate change has already increased production risks, while rising diesel prices have added to operational expenses.
- In this context, higher fertiliser prices can push farmers into deeper financial distress.
- Many are forced to either absorb losses or pass on costs, both of which have adverse consequences.
- The situation is further complicated by rising fertiliser subsidy requirements.
- Government expenditure on fertiliser subsidies has increased significantly, reflecting efforts to shield farmers from global price shocks.
- However, this also puts pressure on fiscal resources.

- **Disruptions to agricultural trade –** Geopolitical tensions have also affected agricultural exports.
- Shipping disruptions and rising freight costs have made it difficult to transport goods to international markets.
- **For instance:**
    - Coconut exports have declined, leading to a sharp fall in domestic prices.
    - Basmati rice shipments to Gulf countries are facing challenges.
    - Exports of tea and spices are being disrupted.
- These developments hurt farmers' incomes and reduce foreign exchange earnings.
- Export-oriented crops are particularly vulnerable, as they depend on stable international demand and logistics.
- **Food security concerns –** The combined impact of rising input costs, reduced productivity, and disrupted trade raises serious concerns about food security.
- Key risks include:
    - Lower agricultural output due to reduced fertiliser use.
    - Higher food prices, affecting affordability for consumers.
    - Income losses for farmers, weakening rural demand.
    - Supply chain disruptions, affecting availability of essential commodities.
- In the long term, these factors could undermine India's food security framework, especially if geopolitical instability persists.

What are the policy imperatives for India?

- **Diversification of import sources –** Reducing dependence on a single region by sourcing fertilisers and energy from multiple countries can enhance resilience.
- **Boosting domestic production –** Investing in domestic fertiliser production, especially for critical inputs like DAP and potash, can reduce vulnerability.
- **Promoting sustainable agriculture –** Encouraging organic farming, bio-fertilisers, and efficient nutrient management can reduce reliance on chemical fertilisers.
- **Strengthening strategic reserves –** Maintaining buffer stocks of fertilisers and essential commodities can help manage short-term disruptions.
- **Enhancing supply chain resilience –** Improving logistics infrastructure and exploring alternative trade routes can reduce the impact of shipping disruptions.

What lies ahead?

- The ongoing tensions in West Asia highlight the deep interconnections between geopolitics, energy security, and food security.
- For India, heavy dependence on imported fertilisers and energy creates significant vulnerabilities that are exposed during global crises.
- Ensuring food security in such a context requires not only short-term policy responses but also long-term structural reforms.
- By diversifying supply chains, strengthening domestic production, and promoting sustainable practices, India can build resilience against external shocks.
- Ultimately, safeguarding agriculture is essential not just for economic stability but also for the well-being of millions who depend on it for their livelihoods.

Reference

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