The Iran Conflict: New Pressure Points for U.S. Food and Beverage

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Key Takeaways

The Iran conflict is becoming a layered cost and demand shock for U.S. food and beverage, with the greatest risk coming through inflation restart rather than direct trade exposure.

The impact will be sequenced, not simultaneous: energy, freight and packaging are likely to move first; fertilizer and consumer demand effects are more likely to emerge over subsequent quarters.

Exposure is not uniform. Energy-intensive manufacturing, resin-heavy packaging, cold-chain distribution and fertilizer-sensitive agricultural inputs are likely to be under the earliest pressure.

Transportation is a key near-term margin risk, as diesel surcharges, ocean freight, war-risk insurance and air-cargo disruption can reprice quickly across multiple parts of the value chain.

The demand risk is likely to appear first in revenue quality, with greater trade-down, stronger private-label performance and weaker premium and foodservice-linked demand before absolute food spend contracts.

For management teams, the priority is to translate uncertainty into action: map exposures against the P&L, align on appropriate actions across plausible scenarios, track signposts closely and prepare pricing, sourcing and operating responses before pressure intensifies.

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Introduction

As the conflict in Iran extends with uncertain de-escalation prospects and persistent injection of market volatility, companies in the Food & Beverage sector are beginning to face important strategic and operational questions: What are the potential supply and demand implications of the conflict for our business? Which cost impacts move first, can they be mitigated and how quickly will they hit the P&L? Are the impacts even across the industry or could they favor some competitors over others? Should we pass through higher costs or absorb them to protect volume and share? And what should our management team and our board be doing now, particularly if the disruption proves more prolonged and volatile than markets currently expect?

For the U.S. Food & Beverage industry, the Iran conflict matters less because of direct imports from the region and more because of ripple effects along the global value chain, which can restart cost inflation at a moment when industry volumes are fragile and margins remain under pressure. The risks are likely to be sequenced rather than simultaneous: fuel, transportation, packaging and selected energy costs may move first, while fertilizer, broader agricultural inputs and consumer demand effects may follow over subsequent months.

The central challenge for management teams is not only the magnitude and timing of impacts but also how much of the shock to pass through or absorb, where, when and why. This article focuses on six areas of material impact stemming from conflict in Iran that Food & Beverage companies should monitor closely and address proactively.

Energy Is a Real Risk, but Exposure Is Uneven

The Iran conflict is creating a meaningful energy risk for U.S. Food & Beverage, which is one of the most energy-intensive manufacturing sectors in the country.

The March 2026 outlook from the U.S. Energy Information Administration (EIA) expects Henry Hub natural gas to remain relatively stable at about \$3.76/MMBtu this year. If the conflict remains contained, many U.S. food and beverage plants may see only limited direct impact on natural gas input costs. But if the conflict broadens or persists long enough to create stress in LNG, petrochemical demand or regional gas balances, the pressure on plant conversion costs could intensify quickly.

That exposure is not uniform. The most vulnerable subsectors are those with large thermal or refrigeration loads, especially meat and poultry, dairy, grain and oilseed milling, sugar, bakery, beverages, brewing along with frozen and canned foods. These sectors are structurally more exposed because energy is embedded in critical unit operations: pasteurization, sterilization, baking, concentration, drying, chilling and cold storage. In those environments, energy is not just overhead; rather, it sits inside the production process itself, which limits how much consumption can be reduced without affecting throughput, quality or food safety.

There is also a geographic exposure consideration. State-level energy cost risk depends partly on how much the local power grid relies on natural gas. EIA's 2024 power-generation data show natural gas supplied about 51% of generation in Texas, 75% in Florida, 76% in Louisiana and 78% in Mississippi. Food & Beverage companies with large manufacturing footprints in gas-dependent power markets should monitor wholesale electricity costs closely. If the crisis broadens into LNG or regional gas infrastructure disruption, plants in those markets could face sharper utility cost increases than peers operating in states with more diversified grids.

Packaging Also Creates Early Exposures

Packaging is likely to be one of the first non-energy costs to come under pressure. The vulnerability stems from the Gulf's central role in the energy and petrochemical system that underpins a large share of global packaging inputs. QatarEnergy's March 3, 2026 decision to halt downstream production, including polymers, methanol, aluminum and urea, shows how quickly regional disruption can reach packaging-relevant materials. The effect, however, is not uniform across packaging substrates.

The most immediate exposure sits in polyolefin-based packaging and PET-linked inputs. PE (Polyethylene) is widely used in films, bags and laminates, while PP (Polypropylene) is used in tubs, trays, lids and closures, and PET (Polyethylene Terephthalate) is used in beverage bottles and some thermoforms. The most exposed categories therefore include beverages, dairy, meat, frozen foods, bakery, snacks, sauces and prepared meals. PE and PP are likely to reprice first because feedstock and spot resin markets react quickly. PET may move more slowly but the effect could last longer because its cost base runs through feedstock produced from crude oil or derived from natural gas liquids, where forward pricing remains elevated into 2027. The likely net result is earlier pressure on flexible films, rigid tubs and closures, followed by more sustained upward pressure on beverage bottles throughout the spring and summer selling season.

Aluminum faces a different risk profile as 9% of global aluminum supply comes from the Gulf. Most firms have been unable to ship their aluminum through the Strait of Hormuz, and recent Iranian attacks on Gulf aluminum plants are set to further disrupt the industry. Leaders in the industry now expect that continued disruption could result in aluminum prices being driven above 2022's record high of $4,073.50 per ton. The majority of U.S. aluminum is imported from Canada, so while disruption to Gulf aluminum supply chains can have large global impacts, U.S. pricing may be more insulated from the Iranian conflict.

Glass packaging behaves fundamentally differently, as its raw materials are not tied to oil. Cost impacts are more indirect – primarily through energy, given the continuous high temperatures required for glass furnaces, and through logistics and freight. As a result, inflationary pressure on glass is expected to be more gradual and less pronounced than for plastics and aluminum.

For Food & Beverage management teams, the immediate priority is to map resin-intensive pack formats, contract reset dates, supplier pass-through terms and exposure by category and price tier.

Transportation Costs Move by Different Mechanisms Across Modes

EIA has raised its 2026 gasoline and diesel forecasts by 14.7% and 20.1%, respectively. That distinction matters because diesel has a faster and more visible pass-through than gasoline into inbound raw materials and supplies, outbound freight, field operations and distributor surcharges. Transportation is the most immediate cost pressure after fuel, but the transmission differs materially by mode.

In trucking, diesel works through fuel surcharges that are shown separately from linehaul and can reset on a weekly cadence rather than waiting for annual contract renewals. For Food & Beverage companies, that means domestic ingredient and finished goods freight costs can move within a billing cycle. The earliest pressure is typically felt in categories with long-haul lanes, heavy shipment weight, refrigerated distribution or lower value-to-weight loads, including many beverage, frozen food, dairy and protein categories.

Ocean freight is transmitted through several mechanisms at once: bunker fuel, rerouting, equipment imbalances, congestion and war-risk insurance. The impact is not confined to shipments moving through the Strait of Hormuz, as disruption in major maritime corridors can spill into broader freight pricing and container availability across global liner networks. For Food & Beverage companies, the greatest exposure lies in import-reliant and container-heavy categories such as seafood, coffee, cocoa, spices, processed food and beverage imports, packaging inputs, machinery parts and export flows.

Air freight is generally a smaller mode for food by volume but a critical one for perishables, urgent ingredients, samples and high-value products. For Food & Beverage, the biggest exposure is not bulk staples but premium perishables, niche ingredients, shelf-life-sensitive exports and emergency replenishment.

Fertilizers Are a Material Second-Wave Risk, and Crop Calendar Matters

Fertilizer may be the most consequential medium-term cost risk because the Persian Gulf region acts as a critical hub for global fertilizer, accounting for c.49% of global urea exports and c.30% of global ammonia exports. Urea and ammonia are vital nitrogen-based fertilizers used to provide essential nutrients for crop growth.

By March 27, 2026, urea prices had risen sharply by c.50% from pre-conflict levels. Although the U.S. imports 52% of its fertilizer from Canada and only c.10% from the Middle East, fertilizer markets are globally integrated, so supply disruptions in one region can influence prices and availability elsewhere. Price transmission can occur quickly, as the U.S. does not maintain formal strategic government fertilizer reserves.

Developments in global fertilizer markets can affect input costs, farm operations and crop yields in the coming months. Timing is critical because fertilizer is bought and shipped ahead of crop needs, so spring disruption can hit while Northern Hemisphere buyers are still finalizing purchases and logistics for the

2026 season. For example, the American Farm Bureau Federation reports that about 50% of nitrogen applied to corn, 28% applied to cotton and 42% applied to spring wheat is typically applied in the spring.

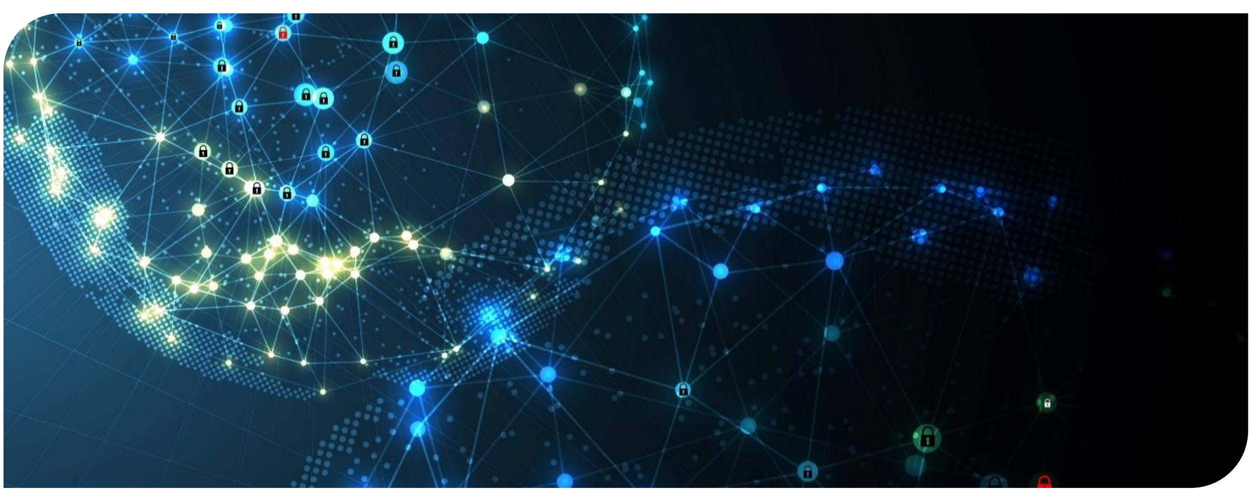
Agricultural cost inflation does not stop at the farm gate. It works through corn, wheat, sugar crops and vegetable oils, and then into poultry, pork, eggs and dairy through feed. It also changes planting incentives: when fertilizer spikes, the relative economics of corn versus soybeans can change, which alters later commodity availability and pricing. Cost implications can ripple through the Food & Beverage industry broadly.

Cyber and Physical Security Add Another Layer of Risk

The ongoing conflict in the Middle East is a stark reminder that modern warfare is no longer confined to physical battlefields. The Department of Homeland Security (DHS) and the Cybersecurity and Infrastructure Security Agency (CISA) have both warned of a heightened threat environment, particularly targeting U.S. businesses and critical infrastructure.

Food & Beverage companies with poorly secured networks, legacy operational technology, third-party remote access, internet-exposed refrigeration or boiler systems or lightly governed vendor connectivity are more vulnerable. The conflict immediately raises the importance of basic cyber hygiene.

High-visibility U.S. companies are more likely to be targeted. The financial, operational and reputational damage of cyber-related disruption can be significant. According to data from the 2024 NetDiligence Cyber Claims Study, for large companies with annual revenue over $2 billion, the cost of a cybersecurity event averages c.$36 million, with cases involving widespread operational disruption reaching hundreds of millions of dollars.



Demand Will Remain Under Pressure and Elicit Volume-Margin Tradeoffs

Higher prices at the pump and rising energy bills will add stress to tight household budgets, forcing consumers to reallocate disposable household income in an environment already marked by affordability pressure and fragile sentiment.

Research from the National Bureau of Economic Research shows a consistent pattern when gasoline prices rise: households cut back on food away from home, curb discretionary purchases, trade down within nondiscretionary categories, seek promotions more aggressively and shift toward more affordable retail channels. Private label, value brands, discount formats and everyday-low-price strategies tend to perform better in that environment, as seen during the 2007-2008 oil shock and the 2022 energy spike.

For Food & Beverage companies, the critical adjustments may involve sharper price-pack architecture, stronger lower-priced offerings, renewed emphasis on value brands, clearer value communication, more precise price-promotion actions and tighter channel prioritization. The opportunity, however, is not purely defensive, as spending shifts from away from home to retail channels can be beneficial, as seen during COVID-19 shutdowns.

What Food & Beverage Companies Should Do Now

In an environment where the impact on business performance can be both meaningful and uneven, a passive wait-and-see stance is risky. A better approach is to identify exposures, quantify impacts and define decisions needed under different conditions. A proactive approach can pay dividends.

Map Financial Exposure Against the P&L

Developing a clear understanding of potential financial impacts is a necessary first step. What direct and indirect costs are at risk, how large could they become, when are they likely to hit the P&L and what can be mitigated? A robust financial model is essential if management is to make timely commercial, procurement, supply chain and operating decisions as uncertainty in the Middle East evolves.

Assess Competitive Dislocation and Strategic Opportunity

The impact of disruption caused by the Iran conflict will not be uniform across competitors, even within the same subsector. Companies that understand how exposure differs by geography, category and supply chain footprint will be better positioned to defend against dislocation and exploit opportunities where appropriate.

Decide Where to Protect Margin and Where to Protect Volume

The immediate challenge for executive teams is deciding how to respond to layered cost shocks while volume recovery remains fragile. Passing through higher costs may protect margins but can weaken retailer relationships, invite opportunistic competitive response, drive share loss, accelerate trade-down and strengthen private label. Absorbing the shock may preserve demand in the short term, but it becomes harder to sustain if pressure spreads from freight into packaging and agricultural inputs. Precision matters. Pricing decisions informed by a granular view of elasticity and cross-elasticity are more likely to protect the right balance between margin and volume.

Prepare to Take Swift Action Under Different Scenarios

Scenario planning is useful only if it is practical. Define plausible scenarios, specify the operational and commercial implications of each, identify the signposts that matter and agree in advance on the actions tied to those signposts. A contained shock may call for targeted pricing, freight management and selective packaging buys. A prolonged disruption may require price-pack architecture changes, supplier reallocation and tighter category prioritization. A severe escalation may require preapproved decisions on allocation, inventory, capex deferrals, cyber controls and customer communication. Companies should establish a “war room” and governance cadence to monitor conditions, track indicators and make decisions quickly.

How Teneo Can Help

Teneo is uniquely positioned to help companies turn geopolitical disruption into a practical management agenda to protect against adverse impacts, continue to drive business objectives and capitalize on new opportunities.

Our unparalleled access and expert insight is enabled by a network of 200+ professionals who have worked at the highest levels of government, armed services, intelligence, diplomacy and industry, with first-hand experience shaping and responding to major geopolitical, policy and regulatory developments, including military conflict. Combined with our management consulting capabilities, that allows us to support clients in mapping direct and indirect financial exposures, quantifying financial impacts across the P&L and over time, working through plausible scenarios, defining signposts and trigger points to monitor and setting up a governance cadence that links decisions across commercial, supply chain, procurement, finance, legal and risk.

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