

US-Iran conflict: Implications for rural estates

Rural – UK – September 2026

savills

Developing a strategy for your business

How can estates respond to the US-Iran conflict?

The US-Iran conflict continues to weigh on the UK economy and the rural sector, though six months on, its impact has so far proved more contained than the Russian invasion of Ukraine. The comparison with Russia and Ukraine also shows that disruption does not need to cause a major fall in production to move agricultural markets. Although the reduction in grain output following Russia's invasion was relatively limited, uncertainty and disruption to established trade flows still contributed to significant price movements (Figure 1). The countries now involved are not major food producers, so the direct impact on food production is limited. The bigger risk remains indirect: constrained fertiliser manufacturing and higher energy costs feed into input prices, inflation, and, in turn, interest rates. These pressures are compounded by continuing insecurity in the Red Sea, which affects routes to market and adds to freight, insurance and delivery costs.

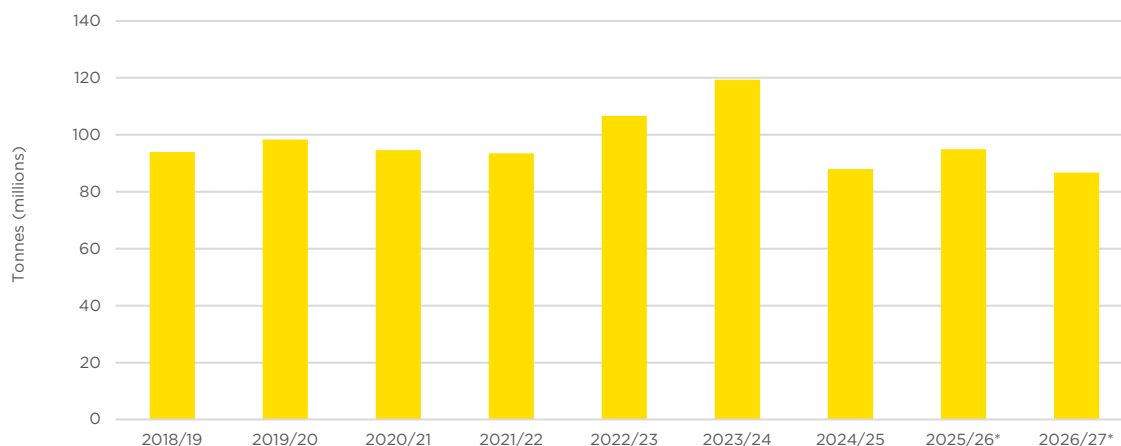
More than six months on from the strikes on Iran in late February, the conflict shows little sign of resolution. A June memorandum of understanding and the month-long ceasefire that followed have both collapsed, talks are deadlocked, and Iran has signalled a more offensive posture. Safe, unrestricted passage through the Strait of Hormuz has still not been restored, with tanker traffic close to multi-month lows, and the "legacy" risks we flagged in the spring are no longer hypothetical. Damage to Gulf energy infrastructure has been confirmed - most significantly at Qatar's Ras Laffan, where a multi-year force majeure on LNG exports is now in force - while freedom of navigation and mine-clearing remain contested. A swift settlement would still ease shipping pressures quickly, but the base case has shifted from a short-lived shock to a prolonged one, with knock-on effects on energy, fertiliser, food and tourism continuing to be felt across all rural sectors.

While global resilience has buffered some of these pressures - oil, for instance, has fallen back from its spring peaks even as gas disruption persists - preparing for further volatility is more effective than seeking solutions later. We continue to advocate scenario planning to help manage this period of instability and uneven costs. Rehearse scenarios and potential actions, and discuss them with the bank if you experience or anticipate financial strain. See our scenario planning guide below.

Minimise energy use, check contract prices, and explore renewable energy. Electric farm and yard vehicles may materially affect costs. Adjustments to cropping and stocking, more accurate input application, and even cover crops may help minimise fertiliser use. Tenants may benefit from estate initiatives that lower costs and support risk management. Retaining a tenant might be preferable to having no tenant at all.

Over the summer, the tourism effect played out much as anticipated. As jet fuel prices nearly doubled, the UK's reliance on the Strait of Hormuz for around a quarter of its fuel imports, coupled with a weaker pound, significantly increased airline operating costs and the cost of overseas travel, with much of the additional expense passed on to consumers. Domestic demand strengthened in response, with operators reporting materially higher staycation bookings over the peak season and several linking the uplift directly to the conflict. For estates with holiday accommodation, events or other visitor-economy interests, this has been a genuine, if fragile, tailwind: much of the extra demand rests on constrained and costly overseas travel. It could reverse quickly once the conflict resolves, which continues to make longer-term investment appraisal difficult.

FIGURE 1: RUSSIA AND UKRAINE COMBINED GRAIN EXPORTS



Source: USDA, * Forecasts

Raw material disruption – the impact

There are two components to the raw material disruption: loss of supply and price increases due to tighter supply (Figure 2). While the direct impact is on energy, this raises transport and fertiliser costs. Continuing insecurity in the Red Sea adds a separate source of pressure through higher marine fuel and insurance costs and the risk of longer diversions around the Cape of Good Hope. Both have downstream effects, increasing food and living costs. So far, the squeeze has been milder than feared: wage growth has kept modestly ahead of inflation, however interest rates may yet rise if energy-driven price pressures persist. The inability to use Dubai and other Gulf hubs reduces available routing and connection options for services to the Far East, Australia and New Zealand. This is compounded by the continuing closure of Russian airspace to UK and other Western airlines, which has already forced many carriers onto longer and less efficient routes.

Ultimately, there are two drivers of price resulting from the conflict:

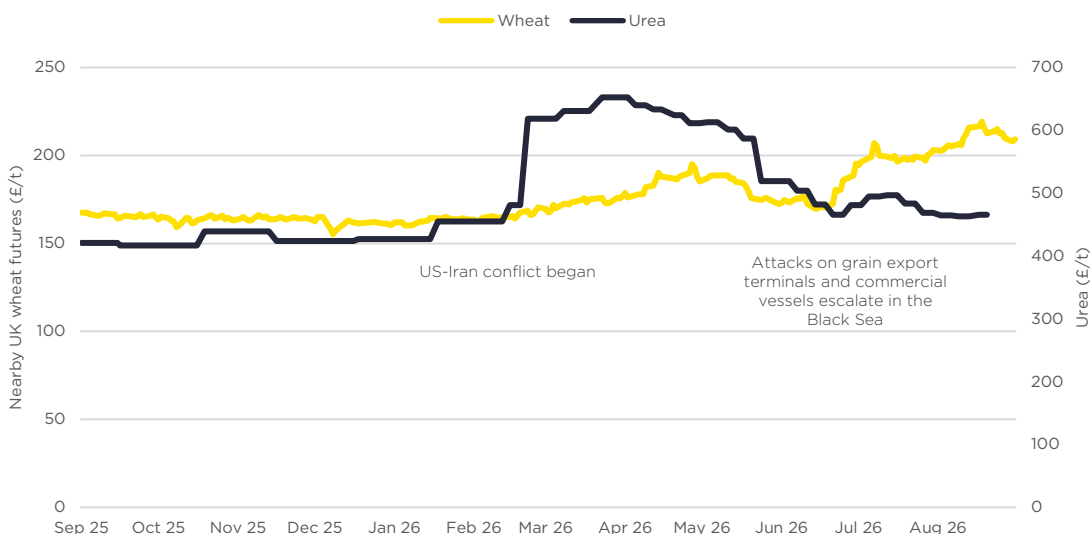
1. Disruption of shipping through the Strait of Hormuz. 25% of traded crude oil, 19% of LNG, 29% of liquefied petroleum gas, and around 30% of traded fertiliser pass through this critical maritime chokepoint.
2. Loss of production. Iran, Saudi Arabia, Qatar, the UAE, and Bahrain are among the largest suppliers of nitrogen fertiliser and major producers of oil and gas. Ras Laffan in Qatar, the largest LNG terminal in the world, was substantially damaged by Iranian missiles and drones in March. Qatar Energy has since declared force majeure — now extended into October — on the affected production lines (trains), which account for around 17% of Qatar's export capacity, with repairs expected to take up to five years.

Many of the recipients of fertiliser from the region are amongst the poorest in the world, for example, Sudan (54% of its supply), but also wealthier exporting countries such as Australia (32%) and New Zealand (26%), while other countries use natural gas from the region to produce fertiliser. Fertiliser delivery has been severely disrupted, with an increasing risk of cancelled deliveries across the grain-producing countries.

Australia is usually a major grain exporter and, over the last three years, has contributed about 10% of global wheat exports. Higher fertiliser prices and a limited increase in food commodity prices are likely to reduce fertiliser use, or shift to crops with lower fertiliser demand, such as soybean rather than maize. This may be one factor behind the changing crop mix in the United States. USDA estimates published in June show that US corn plantings fell by 3% in 2026 compared with 2025, with the area expected to be harvested for grain down 4%, while soybean plantings increased by 5%.

By way of illustration, over 50% of UK wheat production is reliant on artificial fertiliser. Not surprisingly, fertiliser supply is vital to UK food security, and it is heavily dependent on imports. Lower yields in other countries and grains with lower protein content, such as maize, require proportionately less fertiliser, but it is still important. Global grain supplies are now tightening as anticipated, with the International Grains Council expecting world grains production to fall around 3% in 2026/27 and stocks to draw down — a picture compounded since mid-July by renewed hostilities bringing Russian and Ukrainian deep-sea grain exports close to a standstill. Better harvests in Morocco and Algeria have tempered near-term wheat import demand across parts of North Africa. However, global buyers have since returned to the market as geopolitical risks have intensified. Prices have now begun to respond, peaking at £219.25/t on 2 September (Figure 2). This was 34.6% above the price when the US-Iran conflict escalated on 28 February 2026 and 27.5% higher than at the beginning of July, when attacks on Black Sea shipping, grain terminals and export infrastructure began to intensify.

FIGURE 2: NEARBY UK WHEAT FUTURES AND UREA PRICES



Source: AHDB, Savills Research

About scenario planning

Scenario planning is a well-known management tool that uses current trends to predict outcomes for a focus topic across a series of time scales. It highlights where issues might arise and where assumptions may need to be challenged. To repeat the process for a specific estate or enterprise, use the following steps:

1. Assemble the team: a wide range of viewpoints helps to ensure that all variables are considered, however improbable or apparently minor.
2. Start with “why”: define the scope of the issue at hand and why it needs analysis. In our example below, we used the “rural estate” as the primary issue, then brainstormed its individual elements to illustrate the impact of different scenarios.
3. Define your time horizon: be realistic, but challenging (we used six-month, two-year and five-year time horizons).
4. Define your trend variables: what big picture trends are you interested in analysing? In our first examples, we have used the impact of conflict on markets as the main differentiator in the scenarios.
5. Build the scenarios: using the grid, begin to build up the story in each of your scenarios. Identify what elements need to go in each box. We have identified which elements of the estate are impacted or what issues arise in each square.
6. Analyse the scenarios: consider the management response required for each scenario. Impacts have been colour-coded on a red-to-green scale to indicate their severity.
7. Develop a plan: identify the scenarios of most concern and use further management tools to develop a strategic response.
8. Refine the plan: as new and relevant information comes to light, challenge the scenarios and refine your plan.

Further resources on scenario planning are available [here](#).

As the guide makes clear, creating the scenarios and the stories that they generate is just the first part of the challenge. The really important part comes in working out how to respond to the scenarios: what the thresholds for action are, what level of investment is needed, and what level of risk is reasonable to take on.

These are big and important questions, and so we could never hope to answer them in this document. As ever, you should take advice for your own particular circumstances.

TABLE 1: SCENARIO ANALYSIS - ECONOMIC IMPACTS ON TYPICAL ESTATE ASSETS

Context variables:	Short-term	Medium-term	Long-term
	Next six months: conflict continues at a lower intensity; passage through the Strait remains restricted; energy, fertiliser and transport costs remain volatile.	Damaged infrastructure is only partly restored and shipping remains unreliable. Higher insurance, transport and input costs become embedded.	Persistent infrastructure damage and altered trade routes drive structural changes to investment, energy use and production.
	Immediate (six months)	Impacts increase (two years)	Impacts increase with some response (five years)
Growth Assuming: demand for UK tourism remains firm and businesses can reduce exposure to purchased energy, fertiliser and feed.	Domestic tourism and some events benefit while overseas travel remains costly. Renewable generation and energy-efficiency projects become more valuable. Arable businesses that can market some of the 2026 harvest at current prices and are buying fertiliser in late summer are better positioned; those still with fertiliser to buy for spring 2027 should be cautious of delivery risk.	Businesses with secure energy contracts, renewable generation or lower input requirements outperform more exposed competitors. Mixed farming becomes more attractive where livestock can graze forage or cover crops and return nutrients to arable land.	As previously. Encourages integration of arable and livestock production. Drive for fertiliser use efficiency. Investment in renewables and use such as farm and yard EVs. New demand for UK hospitality and events. Low-input dairy systems become standard. Low-energy horticultural production gains at the expense of protected production. Sugar price rises. Land values rise.
Neutral Assuming: performance is driven mainly by domestic policy, contracts or review cycles rather than directly by the conflict.	Forestry and existing environmental agreements remain mainly policy-driven. Agricultural rents respond slowly because they change at review or reletting. Direct effects on residential and commercial rents are limited, although occupiers face higher energy costs.	As immediate. The impact on residential and commercial rents is limited. Environmental agreements continue where payments justify delivery costs. Agricultural rent outcomes begin to diverge by sector, holding quality and timing of review.	Agricultural rents diverge; the economic impact is likely to be positive for the arable sector and negative for the livestock sector due to higher grain/feed prices. Environmental scheme participation depends on payment levels, agreement conditions and effects on productive capacity.
Mildly negative Assuming: input and living costs remain elevated and businesses have limited ability to pass them on.	Protected horticulture and vertical farming remain exposed to electricity costs. Dairy faces weaker milk prices and tighter forage supplies; pigs and poultry remain exposed to feed and energy costs. Events and premium food businesses face margin pressure.	Input-intensive dairy, pig, poultry and horticultural systems remain under pressure. Leisure and event businesses struggle where energy, staffing and supplier costs rise faster than prices. Residential, commercial and holiday-let affordability weakens.	Government financial priorities threaten environmental funding. Businesses dependent on purchased energy, fertiliser or feed remain exposed unless they invest or change systems. Highly leveraged tourism, hospitality and property businesses become vulnerable if discretionary spending weakens.
Strongly negative	New energy-intensive projects without secure power contracts, and investments based on fertiliser, feed or fuel returning quickly to pre-conflict prices.	Highly leveraged farming or diversification projects that cannot absorb volatile input costs or pass them through to customers.	(Speculative investment) Investments dependent on unrestricted Gulf shipping, permanently high commodity prices or uninterrupted growth in discretionary spending.

Focus on agriculture – time to dig deep...

Agriculture needs to stay focused on innovation. The conflict will materially change the relative profitability of farming sectors and estate enterprises, but businesses should not allow short-term movements in commodity and input prices to dictate their long-term strategy. Farms and estates should instead develop enterprises with durable demand across urban and rural markets, whether through food production, direct sales, tourism, environmental services or energy generation. This will require imagination, confidence and rigorous investment appraisal.

Reducing energy use, generating and using renewable energy on farm, and adopting precision technology should now be priorities. Sensors, automation and robotics can reduce labour requirements, target fertiliser, pesticide, feed and water use more accurately, and identify crop or livestock problems earlier. The Farming Innovation Programme supports automation and robotics, but investment should still be based on a defined business need and a credible return. The conflict strengthens the urgency of improving efficiency, resilience, and cost control.

TABLE 2: SCENARIO ANALYSIS - FARMING

Enterprise	Summary of the US-Iran conflict impact and outlook
Agriculture	Higher fertiliser and fuel prices have reduced margins, but drought and poor yields have been the decisive factors for arable farming in 2026. Most fertiliser for the harvest had been purchased before the conflict-driven price increases, giving growers some protection, but by 24 August 94% of UK wheat had been harvested at an average yield of 6.8 tonnes per hectare, compared with 7.2 tonnes in 2025 and a ten-year average of 7.9 tonnes. Spring barley and oat yields were also substantially below normal, while oilseed rape performed strongly. May 2027 feed-wheat futures stood at about £212.50 per tonne on 25 August, but firmer prices will not fully compensate many growers for lower output and elevated fertiliser and fuel costs. Cash flows may also tighten as farmers buy inputs for the 2027 crop before next year's returns are secured. Dairy has moved from strong 2025/26 returns into more difficult conditions. The UK average farmgate milk price was 35 pence per litre in July 2026, around 20% below July 2025, while restricted grass growth has forced some producers to use winter forage and expensive supplementary feed during the summer. Rather than driving a simple shift towards low-input, low-output systems, current conditions favour businesses that can control feed and energy costs, secure sufficient forage, and match production to their milk contract. Grazing livestock have benefited from tight beef and lamb supplies, but drought-related grass, forage and water shortages mean they have not been unaffected. Potatoes and field horticulture have faced irrigation, quality and yield pressures, while protected horticulture and vertical farming remain particularly exposed to high energy costs, including the increase in electricity network charges from April 2026. Pig and poultry businesses remain vulnerable to higher grain, energy and finance costs because feed is a major component of production, but the impact has been less severe than originally anticipated. Brazilian mills have directed more sugar cane towards ethanol in parts of the 2026/27 season, but weak international sugar prices and expectations of a global surplus make a sustained increase in sugar prices unlikely. Higher input costs are unlikely to cause a wholesale withdrawal from environmental schemes, particularly where funded actions also reduce costs or improve resilience. Sustainable Farming Incentive 2026 supports measures including variable-rate nutrient application, multi-species cover crops, legumes on improved grassland, herbal leys and legume fallow, which can reduce overapplication or reliance on inorganic fertiliser. However, participation will still depend on payment rates, delivery costs, scheme certainty and the effect of individual actions on productive output. The conflict has reinforced that food security depends on secure supplies of fertiliser, fuel, feed and carbon dioxide as well as domestic food production. The Government's temporary three-month restart of the Ensus bioethanol plant protected carbon dioxide supplies used in food processing, healthcare and the nuclear sector, but did not resolve farming's dependence on imported fertiliser and ammonia. Proposed fertiliser reforms could diversify supply and widen access to alternative products, while improved market reporting should increase price transparency, but neither replaces the need for reliable supplies of conventional nitrogen fertiliser. Food security therefore depends on resilient domestic production, alongside secure trading relationships and access to essential agricultural inputs.
Agricultural rents	Rents typically respond more slowly than farm profitability, meaning current levels may not yet fully reflect recent trading conditions. In the arable sector, the weaker financial performance of the past two years may support an argument for lower rents, although this should be considered carefully given the subsequent recovery in grain prices. Nevertheless, stronger grain markets do not automatically justify higher rents. Elevated input costs, particularly for fertiliser and fuel, alongside variable yields and continued margin pressure, mean that profitability remains constrained and should be assessed on a whole-farm basis rather than by crop prices alone. Dairy and livestock enterprises should be considered separately. Strong dairy returns recorded in 2025/26 are unlikely to have been fully reflected in existing rents, but any anticipated increase may no longer be appropriate where milk prices have since fallen and drought has increased forage pressure. Lowland grazing livestock returns have remained comparatively strong.

TABLE 3: SCENARIO ANALYSIS - PROPERTY

Enterprise	Summary of the US-Iran conflict impact and outlook
Planning/development	Investment that reduces exposure to volatile energy, water and commodity markets has become more compelling. For farms and estates, this includes renewable energy and storage for on-site use, grain stores that provide greater control over marketing, and water infrastructure such as reservoirs, irrigation and drainage. Biomass may remain appropriate in some circumstances, but proposals will face closer scrutiny of emissions and feedstock sustainability. Investment in sensors, automation and robotics also looks increasingly sound where it can reduce labour requirements, improve input-use precision or identify crop and livestock problems earlier. Government funding is available to support investment in on-farm reservoirs, automation and robotics. Quantum tunnelling could revolutionise the economy (by producing chemicals with less energy than ordinarily possible), with early targets likely to be fertiliser manufacturing. In the medium and long term, a sustained conflict will remove any chance of economic growth.
Diversifications	Increased reliance on local food production will reduce food security, as weather events can have a large influence. Businesses may be able to limit exposure to higher freight and delivery costs, including those associated with continuing Red Sea disruption, by shortening supply chains and sourcing more goods locally where commercially viable. Better control systems will allow some manufacturing tasks to be deskilled. While reduced disposable income and inflation will put pressure on tourism, demand is likely to be maintained as those who traditionally travelled abroad instead holiday in the UK, and wealthier retirees seek mid-week leisure opportunities.
Let residential	Increased living costs will pressure residential rents and reduce demand by raising the age at which people leave home. Energy use and supply are likely to become more important considerations in maintaining property values and securing rent.
Let commercial	Any increase in import costs will spur commercial expansion and, in turn, demand, although most of this expansion would require raw materials and expertise. Growth in UK tourism will increase demand for support services (catering, cleaning, teaching), which will require commercial premises.
Holiday accommodation	Travel costs and risks will help sustain UK holiday destinations.
Estate maintenance	Inflationary costs are likely to cause some to delay maintenance programmes.
Estate office	Impacted by inflationary costs, review processes and adopt software to maximise efficiency.

TABLE 4: SCENARIO ANALYSIS - LAND

Enterprise	Summary of the US-Iran conflict impact and outlook
Environment	Environmental management remains shaped mainly by government policy and funding. The conflict may increase global demand for productive land, but the UK's main vulnerability is access to inputs, not farmland. Around 60% of the UK's nitrogen fertiliser requirement is imported, and domestic production also relies on imported feedstocks. The priority is therefore to secure supply, improve price and availability transparency, and increase nutrient-use efficiency, rather than remove land from environmental schemes. Proposed reforms could improve routes to market for biostimulants, compost, anaerobic digestate, recycled nutrients and other alternatives, although no framework is yet in force. A simple shift from environmental management to domestic production would not necessarily improve food security. The 2026 drought underlined the importance of soils, water management, nutrient efficiency, and cropped area. Government support increasingly reflects this, including an extra £50 million for the Sustainable Farming Incentive 2026 and up to £15 million for on-farm reservoirs. The conflict increases the value of actions that reduce reliance on purchased inputs. Sustainable Farming Incentive 2026 options such as variable-rate nutrient application, legumes, herbal leys, legume fallow and multi-species cover crops can improve nutrient cycling, support grazing, build soil condition and reduce fertiliser use where suitable.
Forestry	The UK remains heavily reliant on imported timber, sourcing around 80% of its demand from overseas and ranking as the world's second-largest net importer of forest products, so in principle the conflict might have been expected to strengthen the case for commercial production in suitable areas - both to improve timber security and to deliver more effective greenhouse gas reduction over the forest's full lifecycle. In practice, it has not provided that spur. Forestry policy continues to prioritise nature and climate outcomes over commercial timber, a direction reinforced by the new England Trees Action Plan expected in 2026, which remains centred on biodiversity, canopy cover and woodland creation rather than a shift towards productive forestry.

TABLE 5: SCENARIO ANALYSIS - ENERGY

Enterprise	Summary of the US-Iran conflict impact and outlook
Energy	Brent Crude peaked at around \$126 per barrel in March, above the Russia-Ukraine war peak, before easing back to roughly \$92 per barrel by late August as markets adjusted to the disruption. Oil and marine fuel prices have subsequently come under renewed pressure as insecurity in both the Strait of Hormuz and the Red Sea has intensified. Recent Red Sea developments have also complicated carriers' attempts to restore shorter services through the Suez Canal, although the effect on container freight rates has varied by route as some capacity has returned. Gas, however, tells a more divergent story. In the United States, Henry Hub prices remain low (around \$2.80 per million British thermal units, or MMBtu), buoyed by record domestic production, but UK and European gas have moved sharply the other way: the UK's National Balancing Point (NBP) and the Dutch Title Transfer Facility (TTF), the main UK and European gas benchmarks, have climbed to around \$19-21/MMBtu, with TTF up more than 30% in a month and around 68% year-on-year, as liquefied natural gas (LNG) cargoes are diverted to higher-priced Asian buyers and European storage runs well below its seasonal norm ahead of winter. European gas storage is around 22% below its five-year average for the time of year. With Asian spot prices, the Japan-Korea Marker (JKM), near \$21/MMBtu pulling cargoes eastward, Europe is being outbid for the limited LNG available, leaving the UK particularly exposed heading into winter. This is exactly the divergence anticipated in the April edition of this note: energy prices usually move in parallel, but the difficulty of transporting gas, combined with a direct loss of capacity rather than merely a rerouting of supply, means there is no quick recovery via a replacement supply chain. Ras Laffan Industrial City is Qatar's main LNG production site, accounting for around 20% of the world's gas supply. Transport requires cooling the gas to -162°C, at which point steel becomes brittle. Following missile and drone attacks in March, Qatar Energy confirmed that damage to two LNG trains cut Qatar's export capacity by around 17% and has declared a force majeure on affected long-term contracts extending into October. Repairs are expected to take three to five years and lost revenue is estimated at around \$20 billion a year. The nearby Pearl Gas-to-Liquids (GTL) facility was also damaged and is expected to be offline for at least a year. For rural estates, these global movements feed straight through to costs on the ground. Heating oil, on which around 1.5 to 1.7 million mostly rural, off-grid homes depend, has risen sharply amid continued disruption to oil supplies and shipping through the Strait of Hormuz. By 17 September, two UK price trackers placed the average price for a 1,000-litre order of standard kerosene at approximately 114p to 116p per litre excluding VAT. Red diesel, the mainstay farm fuel, reached around 99.5p per litre by mid-August, up roughly 50% on a year earlier. Electricity has followed the same path, with the Ofgem price cap rising 13% from 1 July in a move explicitly attributed to the conflict, and a further increase of around 4% expected from 1 October. Notably, the July rise hit gas far harder (up around 24%) than electricity (up around 5%), reflecting how much renewable generation now cushions the power system. It is little surprise, then, that many estates are reviving paused solar and battery projects, increasingly treating on-farm generation as a hedge against gas-driven price shocks rather than simply a diversification play, with grid connection now the main constraint on delivery.



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