

ECONOMIC RESEARCH – MARCH 2026

INVESTMENT INSIGHT

AGRICULTURE



- ✓ **Global fertilizer market held hostage by the Strait of Hormuz**
- ✓ **Significant asymmetry in dependencies (energy vs. fertilizers)**

RISKS OF DISRUPTION OF GLOBAL AGRICULTURE

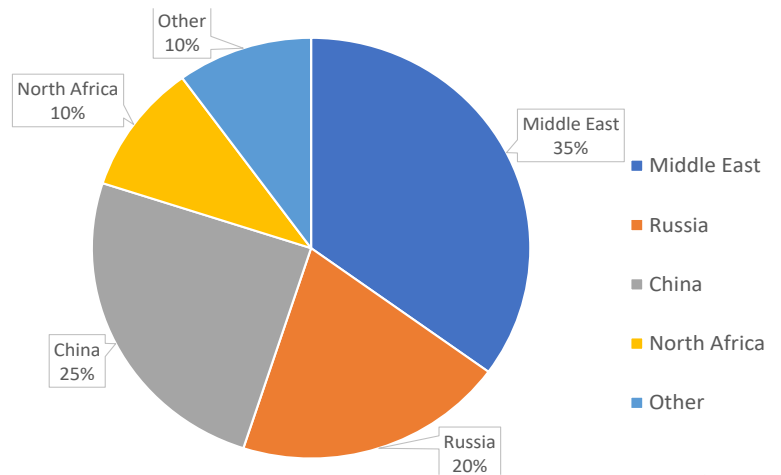
Strategic shift in global raw material geopolitics

The March 2026 military escalation in the Middle East has fundamentally redefined the risks facing global supply chains, shifting the focus from energy to agricultural inputs. While the world's attention remains fixed on oil prices, the near-paralysis of the Strait of Hormuz has triggered a systemic crisis in the fertilizer market. This chokepoint is no longer just an energy artery; it is now the focal point of an imminent agricultural shock that threatens global food security and market stability for the foreseeable future.

The misunderstood fertilizer-energy dependency

A significant analytical error in current global discourse is the belief that the risks associated with the Strait of Hormuz are exclusively energy-related. While the blockade has indeed sent oil prices soaring, the fertilizer sector is experiencing a parallel shockwave that could prove far more devastating to long-term food supplies. Fertilizers such as urea, ammonia, and phosphates are essential for global crop yields, and their sudden scarcity is creating a secondary crisis that remains largely underreported by mainstream media outlets.

Geographical distribution of global fertilizer production



Sources : FAO stats, BBGI Group

Asymmetric vulnerabilities of global markets

To understand the gravity of the current situation, one must distinguish between the adjustment mechanisms available to the energy sector and the structural fragility of the fertilizer market. While both are critical, the fertilizer market lacks the diverse safety nets that typically buffer the crude oil industry during periods of geopolitical upheaval. This asymmetry means that while the oil market might eventually rebalance through alternative production, the fertilizer market faces an immediate and potentially prolonged period of physical supply shortages.

Oil market resilience and adjustment mechanisms

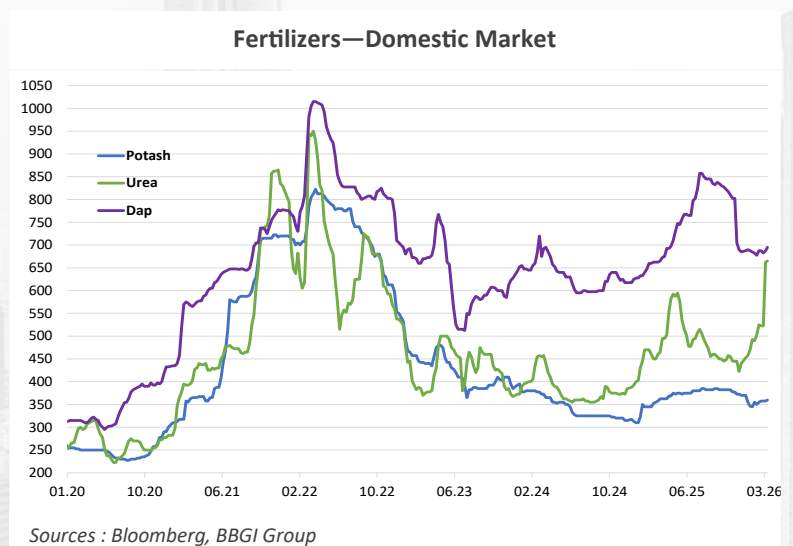
Despite the fact that 20% of global crude oil transits the Strait, the energy market benefits from powerful mitigation tools such as national strategic reserves and alternative pipeline networks like Saudi Arabia's East-West line. Additionally, increased production from the United States, Brazil, and Guyana provides a level of supply diversity that can temporarily offset regional disruptions. Although prices remain at elevated levels and the deadlock persists, these existing institutional frameworks offer a theoretical pathway for volume rebalancing that is simply not available for other commodities.

Structural fragility and production concentration

In stark contrast to oil, the fertilizer market is characterized by an extreme geographical concentration in the Persian Gulf and a near-total absence of global strategic reserves. Approximately 33% of the world's maritime trade in urea, ammonia, sulfur, and phosphate passes through the Strait of Hormuz, with no "fertilizer pipelines" available to bypass the blockade. This lack of infrastructure means that any alternative transport routes would be prohibitively expensive, leaving the global agricultural sector uniquely exposed to the current military standoff.

Implications of total maritime blockade

Under the current total closure of the Strait, roughly 16 million tons of essential fertilizers are physically trapped and cannot reach international buyers, creating a massive void in the global supply chain. This physical bottleneck threatens to significantly reduce agricultural yields in the coming seasons, as farmers worldwide face both skyrocketing costs and actual product unavailability. Without a swift diplomatic or military resolution to reopen the waterway, the destruction of value in the agricultural sector will likely accelerate, leading to a period of unprecedented food price inflation and supply instability.



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