

ECONOMIC RESEARCH – MARCH 2026

INVESTMENT INSIGHT

AGRICULTURE



- ✓ **Vulnerability of fertilizer supplies**
- ✓ **Structure of the global supply chain**
- ✓ **Pre-crisis overview (2025 – early 2026)**
- ✓ **The 2026 shock: contagion mechanisms**

RISKS OF DISRUPTION OF GLOBAL AGRICULTURE

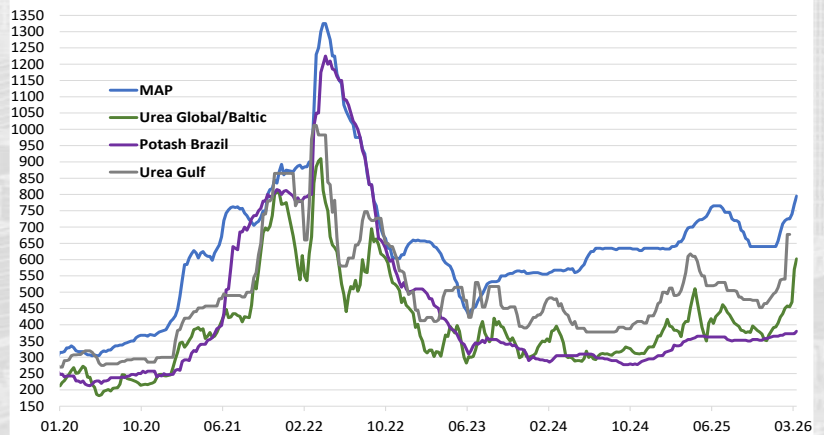
The underestimated criticality of fertilizer inputs

Fertilizers are frequently misperceived as secondary raw materials, yet they serve as the essential upstream component for all global agricultural production. A single ton of fertilizer trapped behind a naval blockade represents more than a price spike; it signifies a physical void during critical planting windows. Unlike energy, where renewables or alternative importers can offer a degree of substitution, there is no immediate chemical alternative for nitrogen in modern high-yield farming.

Production paralysis and industrial disruption

The Persian Gulf is not merely a transit hub but a global production epicenter for nitrogen and phosphates, with facilities like Qatar’s Ras Laffan currently facing total operational standstill. As storage tanks reach capacity due to the lack of available shipping, these massive petrochemical complexes are forced into emergency shutdowns. Such industrial disruptions are far more complex and time-consuming to restart than typical oil wells, ensuring that the supply gap will persist long after any potential diplomatic resolution.

Fertilizers—International and Domestic Markets



Sources : Bloomberg, BBGI Group

Structural composition of the global market

The global fertilizer market is divided into three distinct pillars: Nitrogen (N), derived from natural gas; Phosphate (P), centered in Morocco and Saudi Arabia; and Potash (K), dominated by Canada and Russia. Nitrogen remains the most critical and widely used category, acting as the primary driver for wheat and corn yields. The current crisis highlights the dangerous concentration of these resources, where a localized conflict can effectively "behead" the global supply of essential nutrients for the world's most vital crops.

Market contagion and the geographic risk premium

The 2026 shock has triggered extreme volatility and a sharp divergence in the performance of global agricultural firms. North American producers like CF Industries and Nutrien have seen their valuations surge due to their reliance on domestic shale gas and geographic protection from Middle Eastern logistical risks. Conversely, companies dependent on Gulf imports are struggling with skyrocketing freight costs and a 50% jump in marine insurance premiums, creating a fragmented market where location is the primary determinant of survival.

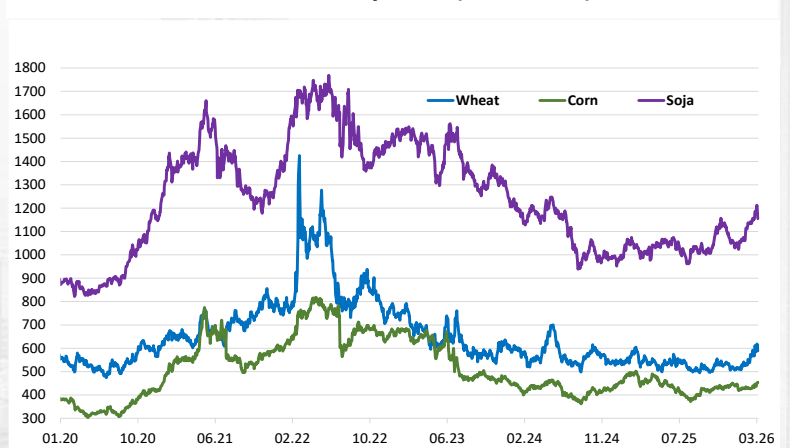
The looming threat of non-linear yield collapses

In the Northern Hemisphere's critical March planting window, farmers are being forced to reduce application rates or abandon acreage entirely due to product unavailability. Historical data suggests that a 20% reduction in nitrogen inputs can lead to an immediate 15–25% drop in yields for staples like corn and wheat. This "yield cliff" directly threatens food security in vulnerable regions such as East Africa and South Asia, where agricultural margins are already razor-thin and storage reserves are non-existent.

Global biological productivity crisis

If the blockade of the Strait of Hormuz persists, the world will transition from an energy-focused recession into a global crisis of biological productivity. In the short term, we anticipate exponential cost increases and rationing at Asian mills, followed by an inevitable medium-term surge in global food prices as harvest volumes fall. This structural food crisis cannot be resolved by simply pumping more barrels of oil; it requires the restoration of a specialized chemical supply chain that is currently being held hostage by geopolitical forces. Consequently, the lack of staple grains in 2027 will stem not from a lack of arable land, but from a calculated failure of the inputs required to make that land productive.

Corn, Wheat, Soybeans (2020–2026)



Sources : Bloomberg, BBGI Group

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