



Conflict in the Middle East: Impact on global food and agribusiness

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Summary

The current conflict in the Middle East is sending far-reaching shock waves through global food and agribusiness sectors. The disruption to shipping in the Strait of Hormuz is rapidly driving up oil, gas, and refined product prices, with effects cascading through fuel, power, logistics, and industrial input costs. In addition, the Middle East is a key hub for fertilizers, petrochemical feedstocks, food and agricultural trade, and global logistics. The effects are felt throughout the entire value chain, including consumers.

Overall, the conflict introduces a multilayered global risk environment, with the potential for both short-term volatility and longer-lasting structural impacts on supply chains, pricing, and margins across the global food and agribusiness system.

The importance of the Middle East

The current conflict in the Middle East and the subsequent (partial) closure of the Strait of Hormuz has disrupted food and agribusiness trade, both in the region itself and on a global level. The region is a focal point for global oil and gas supply, but is also a key hub for other products and global logistics.

Energy trade disruptions and rising prices as first and most severe impact

The first and most significant impact relates to energy. The Strait of Hormuz remains the world's most critical energy chokepoint, and any disruption there quickly reverberates through spot and forward markets for both oil and gas. These price movements cascade into refined products, such as diesel, gasoline, and jet fuel, and, over time, into broader costs of production.

While a global supply shock drives global energy prices higher, regional vulnerabilities vary substantially, particularly regarding physical supply availability. Asian economies are especially dependent on Middle Eastern energy flows: The Middle East provides 95% of Japan's oil imports, around 55% for China and India, 70% for South Korea, and 60% for ASEAN countries. Because the industrial sector accounts for a relatively large share of total energy consumption – around 50% in China and Vietnam, and roughly 30% in India, Japan, and Malaysia, compared with about 24% in the EU – any prolonged disruption would have a profound negative impact on economic growth across the region.

Within Asia, China is comparatively better positioned to mitigate a disruption in oil flows, followed by India, while ASEAN economies appear more vulnerable to sustained supply interruptions.

Europe, meanwhile, is particularly exposed through its reliance on liquefied natural gas (LNG) imports from the Middle East, making it sensitive not only to price volatility in global gas markets but also to supply availability.

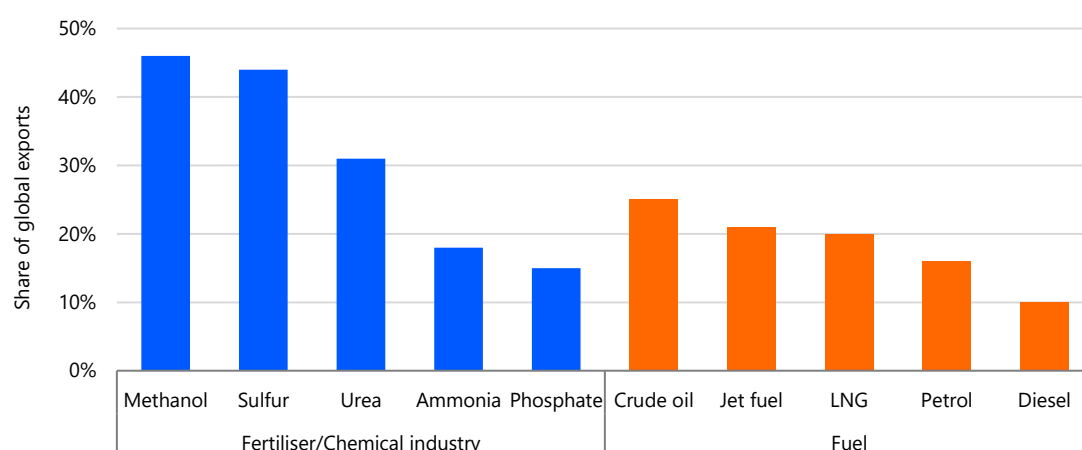
Further impact along the food and agribusiness value chain

Higher diesel prices will put pressure on the entire food and agribusiness value chain and beyond: The price of diesel affects farmer margins and impacts logistics costs, while energy intensive sectors like paper packaging, glass packaging and greenhouses will also feel the impact of higher energy prices. Many companies have hedged these risks, or have long-term energy contracts in place.

Beyond the overarching impact of higher energy costs, it is worth noting some consequences for specific food and agribusiness industries related to the relevance of the region as a trade hub:

- **Fertilizer hub:** Nearly one-third of global urea exports, almost half of global sulfur exports, 15% of global MAP/DAP/TSP exports, and nearly 20% of ammonia shipments normally transit this route. The Strait effectively links fertilizer markets in Asia, Latin America, and Europe to the geopolitical temperature of the Persian Gulf. Farmer margins that are already under pressure in many regions will be under more pressure following higher fertilizer input costs.

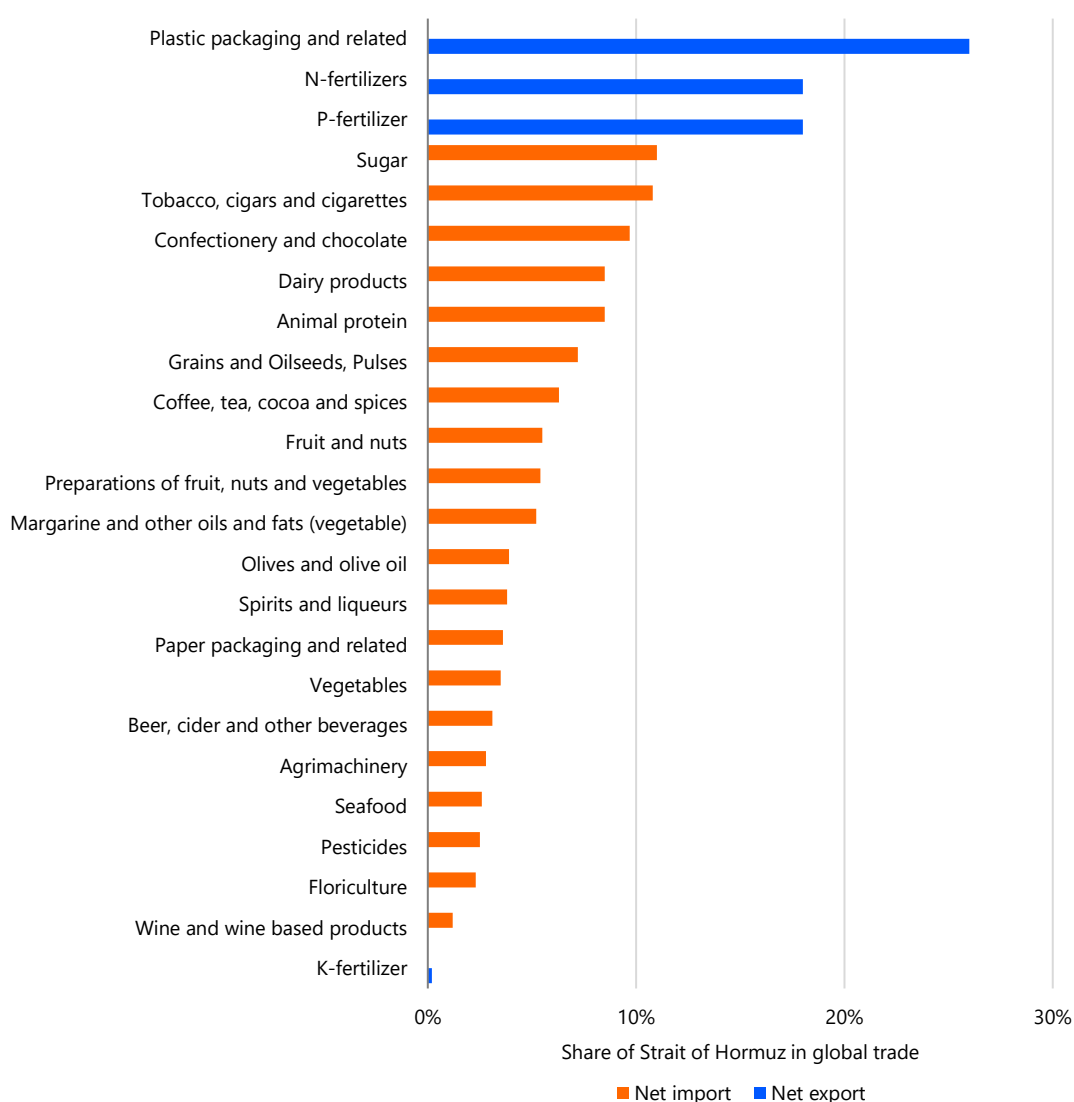
Figure 1: Approximate global exports flowing through Strait of Hormuz



Source: Bloomberg, CRU, EIA, Kpler, RaboResearch 2026

- **Plastics/resin hub:** A closure of the strait would constrain roughly 1.2 mbpd of naphtha flows, disrupting feedstock availability for polymer production, as well as finished resin. The largest regional impact is expected in Asia and Europe, where the majority of polymer and polymer feedstock production is based on naphtha feedstock from the Middle East. Plastic (food) packaging companies will feel the effect.
- **Logistics and airspace disruption:** Temporary airspace restrictions in parts of the Gulf can reduce belly-hold cargo capacity, while ocean diversions raise freight times and freight rate volatility, especially in containerized trades. Rising freight and insurance costs are also an issue. Some impact is already visible: For example, market insights talk about an extra USD 4,000 per container for China's frozen meat imports, which translates to around a 2.5% increase in the cost per metric ton for frozen beef.
- **Food and agribusiness trade:** The countries surrounding the Persian gulf import close to USD 90 billion of food and agricultural products. Exporters to these countries might be unable to fulfill their contracts and or have to find other export destinations.

Figure 2: Share of Strait of Hormuz in global trade for various products related to food and agribusiness



Note: Share is calculated as the share of net trade of countries behind the Strait of Hormuz divided by the average of (sum of net exports of net exporting countries) and (sum of net imports of all net importing countries).
Source: UN Comtrade, RaboResearch 2026

Fertilizers

[The current conflict in the Middle East](#), and its effects on shipping and access to the Strait of Hormuz, is disrupting global fertilizer markets, where 25%-30% of global nitrogen exports flow through the strait of Hormuz. Vessel traffic has dropped to nearly zero, triggering sharp price increases, with North African urea up 20% and EU natural-gas prices rising ~70% within the first week of the conflict. An immediate concern is the potential invocation of force majeure clauses to cancel current delivery commitments.

The situation is darkening further, with Qatar halting LNG production, forcing the shutdown of QAFCO's 5.6 mt/year urea plant and heightening the risk of additional outages across the region. The market impact is already deeper and more complex than the disruptions seen during the 12-day Israel-Iran conflict in 2025.

A key uncertainty is whether this impact remains temporary or becomes structural. A rapid de-escalation would limit the damage, but prolonged instability could drive lasting tightening: A ~30% rise in ammonia or ~20% rise in sulfur would push phosphate producers into severe margin

pressure, while a sustained 20%-30% global urea premium over Chinese prices could further delay Chinese exports. At minimum, a persistent war-risk premium on fertilizer trade appears inevitable.

Fertilizers often account for 40%-50% of grain variable costs, making price shocks immediately visible in farm budgets. So, with fertilizer prices rising faster than agricultural commodity prices as a result of the conflict, the cost-price gap for farmers is widening globally, increasing margin pressure.

Figure 3: Middle East exports by country

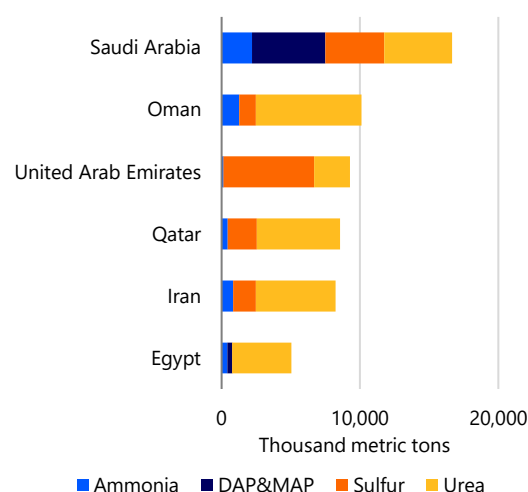
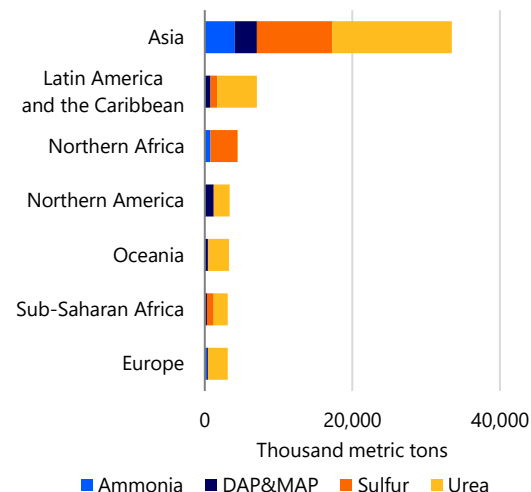


Figure 4: Middle East exports by destination



Note: 2024 data for selected products, in thousand metric tons
Source: CRU, RaboResearch 2026

In Asia, India and ASEAN countries are expected to experience heightened fertilizer price volatility due to their heavy reliance on fertilizer imports. By contrast, China is largely self-sufficient in nitrogen and phosphate fertilizers. The primary area of concern for China lies in sulfur supply, as domestic phosphate producers rely heavily on imported sulfur to produce phosphate from phosphate rock. A significant portion of China's imported sulfur originates from the Gulf region.

The production of agrochemicals relies heavily on petrochemical base chemicals. The two leading agrochemical producers (China and India) both rely heavily on imported crude oil and natural gas. These base chemicals are key feedstocks for a wide range of downstream industries, including the production of active ingredients in crop protection. In the short term, crop protection manufacturers are likely to face higher production costs that they will likely pass on to farmers.

Grains, oilseeds, sugar, fresh produce

Grains and oilseeds

Currently, the impact on the grains and oilseed sector is relatively limited. However, the biggest impact is felt through higher freight costs. The increase in crude oil prices generally adds to the price volatility of all commodities, which we have seen in grain and oilseed futures markets since the conflict began. Farmers will see basis values decline to absorb the additional freight costs and insurance costs borne by exporters. Buyers will also see their prices rise, particularly as fuel surcharges are added following to higher fuel prices.

While grain and oilseed futures prices have been up and down, the exceptions are soybean oil and canola. Both commodities have been on the rise anticipating some disruption to energy markets from a potential military action in Iran. Both soybean oil and canola oil are feedstocks for biodiesel and renewable diesel. Higher diesel prices could also support either an earlier implementation or an increase in the blend to 16% in Brazil, which would provide additional support to soybean oil demand.

Sugar

To date, sugar prices have, if anything, declined by a few percentage points since the onset of the conflict. This may reflect the increase in ocean freight rates already mentioned in the grains section, which add to importers' costs and may therefore discourage purchases while the market waits to see if the conflict is brought to an early close.

The Gulf region is home to several significant sugar refineries – in the UAE, Saudi Arabia and Iraq among others. In the short term, refiners are likely to be able to draw down raw sugar stocks in order to maintain output, and distribution of refined sugar within the region by overland transport can be maintained. In the event of an extended conflict, although it might be feasible for refineries in the Gulf to bring in some raw sugar overland from Red Sea ports, this is likely to be costly, and so if the conflict is prolonged, it is very likely that raw sugar inflows into the region could become restricted.

Fresh produce

Even though the Middle East represents only a small share of global fresh produce exports, the ripple effects of the current conflict will be felt far beyond the region. Higher costs for energy, transport, and packaging are likely to affect businesses across the entire supply chain. Market disruptions could add even more uncertainty.

Animal protein

The Middle East is a major importer of poultry, beef, sheepmeat and mutton, live sheep and dairy, and the ongoing conflict is creating risks for these supply flows. In [poultry](#), the region accounts for 15% of global trade and nearly 10% of global production growth, driven by population growth, rising consumption, and food security programs. Although significant investments – particularly in the Gulf – have strengthened local poultry production, several countries, including Iran, Kuwait, Oman, Iraq, Bahrain, and the UAE, remain exposed to elevated risks due to their continued heavy reliance on imports of poultry and key inputs such as feed.

Brazil, a key supplier of poultry and beef, is mainly experiencing higher freight and insurance costs and speculative declines in futures markets. Importers are seeking alternative routes – with some Suez Canal traffic still moving, exports are reaching Red Sea ports in Saudi Arabia, Yemen, and Oman before continuing overland. Shipments to China – the largest market for Brazilian beef – are expected to reroute via the Cape of Good Hope, adding costs and roughly two weeks of transit time.

The Middle East is the primary destination for Australian live sheep, taking about 90% of exports, mostly via the Strait of Hormuz. Shipments generally peak from March to May, making timing critical. Also, the Middle East accounted for 19% of Australia's lamb exports and 31% of mutton exports in 2025. Limited global and domestic supplies of sheep and lamb are expected to help [shield the Australian market from significant price volatility](#).

The Middle East is one of the key destinations for Chinese and Thai poultry exports. The Middle East accounts for around 12% of China's total poultry exports and 5% of Thai poultry exports. Currently, poultry exports to the Middle East are suspended, resulting in inventory accumulation in both countries and downward pressure on local prices. Putting additional pressure on margins.

For dairy, Europe and New Zealand are the main suppliers to the Middle East, and about 6% of their exports to the Middle East pass through the Strait of Hormuz. Beyond the direct impact on trade flows, recent global dairy trade auctions show Middle Eastern buyers pulling forward purchases of shelf-stable powders, temporarily lifting milk input costs for downstream food and beverages players. Prices are expected to ease once buyers withdraw from the market again.

European fresh salmon exports to Asia face sharply higher air-freight costs due to Russian and Middle Eastern airspace closures, risking a shift of trade to Chile. Middle Eastern seafood imports are also disrupted. Overall, global impact is modest but higher fuel costs and inflation will raise production costs and soften seafood demand.

Consumer demand

In a scenario that maritime transit via Hormuz is shut for an extended period, Brent would approach USD 110/bbl; TTF ~EUR 100/MWh, and prices could decline from summer but would remain above pre-conflict levels for nine to 12 months. This would have a more profound impact on the globally economy than our [current baseline projections](#).

In the case of an extended period of high energy prices, euro-area inflation would move above 3% in 2026, with growth ~0.3pp lower than earlier projections. The shock would reverberate into 2027 via still-elevated costs and delayed investment. Consumers will start trading down in food retail. A stable to -0,5% decline in real terms is a realistic expectation when looking at the recent past. Foodservices would also suffer from trading down and possibly a decline in traffic, as soaring gasoline and diesel prices mean that consumers need to allocate a higher budget to transportation fuel at the expense of discretionary spending. If inflation was to translate into higher interest rates, the impact on demand would be more significant. As energy prices remain high for longer, food manufactures will start to feel the impact but may be unable to pass these costs on to offtakers due to the long-term contracts in place.

If the conflict last for a longer period, inflation would likewise run above 3% in the US. This comes at a particularly sensitive time, as food and beverage manufacturers have become increasingly vocal about the dour sentiment among consumers over the past year, and their inability to pass on rising costs. In this environment, the uptick from inflation will create additional price sensitivity among consumers, and will further pressure margins for food processors (many of which are already struggling). As in Europe, we would expect to see consumers shift more occasions away from on premise to off premise. We would also expect an acceleration of the shift to private label already struggling with labor inflation amid the crackdown on immigration.

In Asia, potential consumer impacts vary by market. In China, food companies are likely to absorb cost increases to maintain market share, pressuring margins. In ASEAN markets, where consumers are more sensitive to rising living costs, demand may soften as companies pass on higher prices. If the conflict persists, it would further weaken consumer spending in the region, and slow the process of consumers trading up into higher-value food brands and products.

Packaging

Paper

The European paper packaging sector is structurally self-sufficient and currently oversupplied, making it vulnerable to reduced export opportunities to the Middle East, which imported around 725,000 metric tons of containerboard and 200,000 metric tons of cartonboard in 2025. Demand recovery is also likely to be delayed due to weaker consumer confidence, reduced purchasing power due to inflation and higher fuel costs, and disruptions to packaged-goods trade.

As it is an energy-intensive industry, persistently high energy prices will continue to squeeze margins and could trigger further closures among smaller mills already struggling with losses. Higher costs may support renewed price-increase attempts for containerboard and folding cartons, though oversupply will limit success. Rising energy prices favor Nordic and integrated virgin-fiber producers while disproportionately affecting recycled containerboard producers, especially in markets reliant on natural gas such as the UK, Italy, and Germany. Long-term energy

contracts and hedging offer some near-term protection. In contrast, the US packaging sector faces minimal direct impact, aside from potential demand moderation.

Plastics

The Middle East plays a critical role in the global petrochemical system. The region supplies roughly one-third of globally traded naphtha, the primary feedstock used by steam crackers in Europe and Asia to produce key polymers. Disruptions to this supply chain can quickly ripple through resin markets, although the timing of price impacts often depends on contract structures and inventory buffers across the industry.

A central vulnerability is the Strait of Hormuz, which carries roughly 20% of global petroleum liquids each day. The corridor also serves as a major export route for Middle Eastern petrochemicals and feedstocks. USD 20-25bn in petrochemical and related products transit the strait annually, making it one of the most concentrated supply chokepoints in the plastics value chain. With few viable alternative shipping routes, a prolonged disruption could take weeks or months to normalize, particularly if tanker traffic must be rerouted or security threats persist.

Europe has a structural dependence on imported polyolefins. The region imports a significant share of its polyethylene and polypropylene from the Middle East, materials widely used in films, caps, closures and rigid packaging formats. Any sustained disruption would tighten supply and increase feedstock costs for European converters, who already face structurally higher energy prices versus their global peers.

Asia faces similar exposure, albeit through a slightly different mechanism. China, South Korea, and Japan rely heavily on naphtha-based steam crackers, which means that feedstock availability directly influences polymer production. In the event of prolonged disruption, crackers may reduce operating rates to manage feedstock costs, which could tighten regional resin supply and increase spot price volatility. Early signs of this dynamic are already emerging, as refiners signal potential run cuts and chemical producers prepare contingency plans for supply interruptions.

The US is in a different position. US polyolefin production is largely based on ethane derived from shale gas, giving it a structural feedstock advantage when crude-linked costs rise. The US is a major exporter: Approximately 40%-45% of US polyethylene production is exported, making it the world's largest supplier to global markets. If Middle Eastern shipments are disrupted, US producers are well-positioned to redirect volumes toward Europe and Asia, potentially tightening domestic availability while supporting higher export prices.

Across the value chain, the implications extend beyond resin producers. Packaging converters, consumer brands, and ultimately retailers and consumers could all feel the effects. Resin typically represents 50%-70% of the costs of goods sold for PE and PP packaging, meaning even modest changes in polymer prices can materially affect margins. In the near term, the market is likely to experience spot price volatility, thinner converter margins, and selective force majeure risk if feedstock shortages intensify.

If disruption persists, producers may attempt to pass higher costs through the value chain, adding renewed inflationary pressure to packaging goods markets that are only beginning to stabilize after several years of input cost volatility.

Conclusion

The Middle East conflict and disruption in the Strait of Hormuz are generating a multi-layered global economic shock, with energy markets at the core, followed by cascading impacts across fertilizers, plastics, logistics, and key food and agribusiness supply chains. Regions with a heavy reliance on Middle Eastern energy and inputs, especially Asia, Europe, and the Gulf countries, face the most acute risks. If the conflict persists, the result may be structurally higher costs, persistent inflationary pressure, tighter commodity markets, pressure on farmer margins and a lasting strain on global food and agribusiness supply chains.

Imprint

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A summary of the methodologies used by Rabobank can be found on our [website](#).

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