

08 July 2026

Renewed strikes in the Middle East present risks to farming input costs

- On Monday, July 6, 2026, we sent out a note flagging that we are beginning to see the benefits of the likely memorandum of understanding between Iran and the U.S. aimed at ending the war on agricultural input prices. Fertiliser and fuel prices have declined notably from the levels we saw as recently as May 2026. That said, uncertainty remains, and it increasingly appears that the talks may end or be paused without a deal given the renewed strikes in the region.¹ This once again presents the immense risk and uncertainty surrounding ship movements in the Strait of Hormuz.
- Over the past few weeks, as the peace talks were progressing in a promising direction, we saw the benefits in the relief for fertiliser and fuel prices. The recent strikes introduce new risks to the likelihood of affordable fertiliser and fuel prices going forward, particularly if we see yet another holdup on ship movements in the region. There is considerable uncertainty now about how the neighboring countries would react to these recent developments.
- From a South African perspective, we remain concerned that as the start of the 2026-27 season nears, the fuel and fertiliser prices mustn't see another surge. South Africa is roughly three months away from the start of the 2026-27 summer crop season in mid-October 2026. Farmers typically place input orders well before the start of the season. Still, given that the current 2025-26 summer crop season is over a month late and maize harvest is still underway, the placement of input orders for the next season may also be slightly delayed.
- The combined cost of fuel and fertiliser typically accounts for around half of the input costs in field crops. Thus, we worry about the renewed war action, which presents risks to input prices. Having such a substantial share of input costs rising at a time when commodity prices were falling meant that some farmers would be in a tough financial corner. Already, the possibility of financial pressures led some people to question whether farmers would leave some land fallow for a season. Admittedly, it remains too early to assess whether the crop planting may be reduced. Historically, South African farmers have consistently maintained roughly the same area under cultivation, even in challenging seasons. If there is anything, there is typically a switch among various summer crops depending on profitability.
- These developments in farm input costs occur amid uncertainty about the impact of the expected El Niño on agricultural production in South Africa. Hence, it remains understandable that others are worried about the upcoming season and the impact of these factors on food prices. While we acknowledge the uncertainty, we believe that the weather challenge may not be as harsh as some fear. Better soil moisture across the country, following a longer rainy season, will support agricultural activity and grazing veld. Moreover, dam levels are healthy, which will help irrigated agriculture.

¹ <https://www.aljazeera.com/news/liveblog/2026/7/8/iran-war-live-us-bombs-sirik-qeshm-bandar-abbas-over-hormuz-attacks>