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The reopening of the Strait of Hormuz may help ease farm input prices and support agricultural exports over time

- In South Africa, we will start the next summer crop season from mid-October 2026. One of our major concerns in the past few weeks has been the higher fuel and fertiliser prices ahead of the start of the 2026-27 season. Roughly, fertiliser prices are up by 50% from a year ago, primarily due to the war in the Middle East.
- With news that the U.S. and Iran reached a deal to open the Strait of Hormuz, we are hopeful for some easing in the fertiliser prices, assuming everything holds. Fertiliser accounts for a notable share of input costs in grains, oilseeds and sugarcane; roughly between 20-35%, depending on the crop. Therefore, a potential decline in the fertiliser prices as the ceasefire is extended and possibly trade resumes, would be a much-welcome development for the South African farming sector.
- Another key issue is fuel, which also accounts for around 10-15% of the field crop farmers' input costs. Some easing on fuel prices would also help immensely ahead of the planting period. Again, there remains some uncertainty on these issues, but so far, the formal communication from the American and Iranian authorities is reassuring that the Strait of Hormuz will be reopened, which may lead to an easing of these key input costs.
- Beyond the input costs ahead of the next season, the Middle East region, in general, remains important for South Africa's agriculture as a key export market. The war had disrupted the logistics in the region, and with the extension of the ceasefire, there is hope that the region may, over time, return to buying agricultural produce as before the war. For South Africa's agriculture, the region accounted for an average of 8% of agricultural exports by value over the past 5 years. South Africa's agricultural exports to the world market were at a record US\$15.1 billion in 2025, up 10% from a year ago, according to data from Trade Map. The United Arab Emirates, Saudi Arabia, Iraq, Kuwait, Jordan, and Qatar are some of South Africa's key agricultural export markets in the region.
- From a product-specific perspective, citrus, apples and pears, beef, strawberries, goat and sheep meat, grapes, apricots, cherries, peaches, various nuts, and maize are some of the key agricultural products South Africa exports to this region.
- In essence, the reopening of the Strait of Hormuz is a positive development ahead of the start of the 2026-27 summer crop season in South Africa, where higher input costs have been our main concern. Over time, the easing of logistics will also help normalise trade in the region. Again, there remains some uncertainty about developments in the region, but the available information offers some hope.

Exhibit I: Global fertiliser price index



Source: World Bank and Agbiz Research