

Hormuz Disruption: How It Is Driving Up the Arab World's Food Bill

For the first time in decades, the world finds itself facing a food shock preceding the oil crisis triggered by the U.S.–Israeli war on Iran. Fertilizers, gas, sulfur, and ammonia passing through the Strait of Hormuz form the backbone of global grain and vegetable production.

Urea prices a key chemical input used in fertilizer manufacturing have surged by more than 40 percent, exceeding \$700 per ton. Insurance and shipping costs through the Gulf have increased tenfold, while fertilizer plants in Qatar, India, and Bangladesh have shut down.

This report traces the chain of effects in detail: from the bottleneck in Hormuz to fertilizers, chemicals, and gas, then to agricultural and production costs, and ultimately to food prices on Arab tables.

From Hormuz to Fertilizer

It is not only oil that flows through the Strait of Hormuz. The Gulf accounts for nearly 46 percent of global urea trade and supplies a quarter of the world's fertilizer production.

With maritime disruption:

Major urea plants in Qatar have halted operations.

India has reduced production across three facilities.

Bangladesh has shut four out of five plants.

Egypt, which supplies around 8 percent of traded urea, may struggle to sustain output following the suspension of Israeli gas supplies.

Expected exports have dropped from 3.5 million to 1.5 million tons in March, while export prices have nearly doubled to \$684–700 per ton.

The fertilizer industry relies heavily on natural gas, with energy accounting for up to 70 percent of production costs. Attacks on gas facilities such as the strike on Qatar's Ras Laffan complex have driven European gas prices up by 35 percent, raising costs across global supply chains.

Sulfur prices an essential input in phosphate production—have also climbed above their 2022 peak, as the Middle East provides half of global supply.

Meanwhile, shipping companies have issued warnings and suspended transit through the strait and Red Sea coasts.

Major shipping lines, including Maersk, Hapag-Lloyd, and CMA CGM, have

imposed war risk surcharges on shipments bound for Iraq, Bahrain, Kuwait, Yemen, Qatar, Oman, the UAE, Saudi Arabia, Jordan, Sudan, and Egypt.

These fees could multiply the cost of transporting fertilizers and grains. Ship insurance premiums have risen to about 3 percent of vessel value (roughly \$7.5 million for a \$250 million tanker), compared to just 0.25 percent before the war. Current rates range between 1 and 1.5 percent depending on vessel type.

How a Fertilizer Crisis Becomes a Food Shock

Nitrogen and phosphate fertilizers are used to produce more than half of the world's food and account for up to 50 percent of grain production costs. Any shortage therefore has immediate implications for food supply.

Bank of America has warned that the conflict threatens 65–70 percent of global urea supplies, with prices already up 30–40 percent.

The Food and Agriculture Organization (FAO) has cautioned that fertilizer shortages will reduce grain and feed production and, by extension, meat and dairy output. If the war persists, the next agricultural season could see lower yields.

At the farm level, rising costs are forcing farmers to reduce fertilizer use, switch to less nitrogen-intensive crops, or abandon marginal lands altogether.

The International Fertilizer Association expects the impact to be most pronounced in nitrogen-heavy crops such as wheat and corn. With fuel prices up more than 50 percent since the war began and shipping and insurance costs rising operational, transport, and storage expenses are all increasing, pushing up final food prices.

Even air freight has become more expensive: rates on South Asia–Europe routes have risen by 70 percent, and Asia–North America by 58 percent, due to Middle Eastern airspace closures and higher jet fuel costs.

Unlike oil, there are no strategic reserves for fertilizers, making shortages difficult to offset quickly. Even if other producers attempt to increase capacity, building new plants takes years and requires billions in investment.

Warnings have also resurfaced about replacing chemical fertilizers with organic alternatives. Sri Lanka's 2021 experiment when the government banned chemical fertilizer imports demonstrated that yields can collapse dramatically, triggering economic and political crises.

Which Arab Countries Are Most Exposed?

Egypt, Tunisia, Morocco

Egypt, one of the world's largest wheat importers, depends on imports for nearly

50 percent of its food consumption. It is also a major urea exporter (around 8 percent of global trade), but its production capacity is threatened by the halt in Israeli gas supplies, forcing it to turn to costly liquefied natural gas.

Cairo raised domestic fuel prices by 14–17 percent in March 2026 due to rising global energy prices, increasing the cost of food transport and subsidized bread production.

Tunisia, heavily reliant on grain imports and facing fiscal constraints, will see rising food subsidy costs especially if global wheat prices increase.

Morocco, the world's largest phosphate exporter and a major producer of phosphate fertilizers, stands to benefit from higher global prices. However, it imports ammonia a key input meaning production costs will also rise. Analysts at Chatham House warn that higher global energy prices and interest rates will weigh on Morocco's economy despite export gains.

Other North African Countries

Algeria and Libya, as oil and gas producers, may benefit from higher prices and offset budget losses.

However, disruptions in Hormuz could lead to shortages of chemical inputs particularly sulfur affecting domestic agricultural production.

Jordan, Lebanon, Syria

Jordan produces negligible amounts of gas, covering less than 5 percent of its needs domestically, while importing about 3.6 billion cubic meters annually from Israel, Egypt, and others.

The war has exposed the fragility of this dependence. In June 2025, Israel's Energy Ministry indicated that most limited exports during the conflict went to Jordan, with only "small quantities" reaching Egypt.

Any prolonged disruption could threaten Jordan's electricity supply and force it to purchase expensive LNG, increasing food prices through higher irrigation and storage costs.

Lebanon, which imports more than half of its food needs and 87 percent of its wheat, faces a severe foreign currency crisis. Rising fuel and shipping costs will increase import bills, while any slowdown in Gulf economies could reduce remittances—a key source of hard currency.

Reuters has warned that declining remittances from Gulf workers could pressure economies dependent on them, including Pakistan, Lebanon, and Jordan.

The Gulf, Yemen, and Sudan

Gulf states Saudi Arabia, Qatar, Oman, and the UAE are major producers of urea and ammonia. However, shipping disruptions through Hormuz hinder exports and reduce corporate profits, even as gas infrastructure remains under threat. Still, their sovereign wealth-backed economies can absorb the shock for now.

By contrast, countries such as Yemen, Sudan, and Djibouti which rely on imports via Gulf ports face potential fuel and food shortages as ships reroute around the Cape of Good Hope, increasing transit times and costs and creating bottlenecks.

What Are the Consequences?

History shows that rising fertilizer and food prices often lead to social and political unrest. In 2022, the Russia–Ukraine war drove up food and energy prices, worsening food insecurity in many countries.

Today's crisis is more complex. Markets were already constrained by sanctions on Russia and Chinese fertilizer export restrictions, and the war on Iran has severed another critical artery.

Millions in the Gulf depend on desalination plants, which are energy-intensive. These plants supply 90 percent of drinking water in Kuwait, 86 percent in Oman, and 70 percent in Saudi Arabia. If gas and fuel supply disruptions persist, even access to fresh water could be at risk.

A report by the Council on Foreign Relations estimates that fertilizers account for about 25 percent of agricultural production costs and that the war threatens one-third of global fertilizer trade.

A 19 percent price surge in the Middle East within a single week highlights market fragility and suggests that the shock could extend across multiple seasons.

The report also warns of the potential “weaponization of food and water,” raising the specter of a global humanitarian crisis especially if compounded by climate-related agricultural disruptions and declining grain reserves.

Meanwhile, World Bank and IMF reports suggest that some countries, such as Morocco and Qatar, may benefit from rising fertilizer prices, and that targeted support for farmers through international channels could help mitigate the crisis.

However, long-term solutions require diversifying fertilizer sources beyond the Gulf and developing new infrastructure efforts that will take years and substantial investment. Until then, food security in the Arab world will remain hostage to the Strait of Hormuz and its geopolitical tensions.