



Rabobank

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Global fertiliser market facing prolonged period of strain from Middle East disruption – industry report

The global fertiliser market faces a prolonged period of tight supply, weak affordability and heightened price risk and, even if current geopolitical tensions ease soon, “normalisation will be slow”, according to a recently-released industry report.

In its latest ***Semi-annual Fertiliser Outlook***, global agribusiness banking specialist Rabobank says the international fertiliser market ended the first quarter of the year under severe strain.

“The escalating geopolitical disruption in the Middle East and the effective closure of the Strait of Hormuz have removed a substantial volume of fertilisers and critical inputs from global trade, triggering an abrupt supply shock that cannot be quickly replaced. The resulting market environment is characterised by tight availability, sharply higher prices and elevated volatility across major nutrients,” the report, from the bank’s RaboResearch division, said.

Globally, RaboResearch says, fertiliser affordability was already under pressure in 2025, as prices for nitrogen and phosphates had steadily increased. And fertiliser affordability has since deteriorated rapidly.

“Prices for nitrogen and phosphates have risen far faster than agricultural commodity prices, which is compressing farm margins globally and accelerating affordability pressure,” the report says.

“RaboResearch’s fertiliser affordability index has moved decisively into negative territory and is expected to remain constrained throughout 2026, with only limited recovery in the second half of the year.”

Report lead author, RaboResearch senior analyst – farm inputs Bruno Fonseca said this “raises the risk of widespread fertiliser ‘demand destruction’ as farmers around the globe reduce application rates, delay purchases or shift crop choices”.

Nitrogen markets are the most exposed, and phosphate markets are also being pressured. While potash remains comparatively more balanced, indirect effects from weak affordability in other nutrients are expected to weigh modestly on demand in 2026.

“The outlook for 2026 points to continued pressure on farm economics and increased downside risks for global crop production and food price stability,” he said.

Mr Fonseca said a protracted conflict or extended closure of the Strait of Hormuz would challenge supply chains with more severe disruptions and have a sustained impact on fertiliser supply, prices and demand, resulting in prolonged negative fertiliser affordability.



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“In such a scenario, farmers may switch to planting crops that require less nitrogen or choose to lower application rates and/or planted areas, impacting demand for a longer period,” he said.

Australia

For Australian farmers, margin pressure has been a key concern over the past year, and the outbreak of war in the Middle East has intensified those challenges, the report says.

RaboResearch Australia-based commodities analyst Paul Joules said the conflict had again highlighted the fragility of Australia’s fertiliser supply chain, with the country heavily reliant on imports for critical products, such as urea and MAP (mono-ammonium phosphate).

“Accounting for currency movements, we estimate Middle East granular urea prices have surged an eye-watering 94 per cent year to date (YTD),” he said. “DAP (diammonium phosphate) FOB (free on board) prices have risen a more modest eleven per cent YTD, while Vancouver spot FOB potash prices have largely evaded significant price inflation, having risen by two per cent over the same period.”

“Geopolitics aside”, Mr Joules said, the Australian dollar – traditionally a key shock absorber for imported inputs – had strengthened sharply over the past 12 months.

“However, despite this currency appreciation, fertiliser input prices have remained elevated due to ongoing constraints in global urea and natural gas supply chains, meaning Australian growers have still felt retail price inflation,” he said.

While any further strength in the Australian dollar would be expected to help offset the high input prices, recent volatility in urea and phosphate markets suggest global supply and demand fundamentals will continue to exert an outsized influence on local Australian pricing.

“Against this backdrop of compressed margins, Australian farmers – driven by the combination of disappointing grain prices and elevated fertiliser costs – may increasingly favour crops that have historically demonstrated greater margin resilience under variable seasonal conditions,” Mr Joules said. “Barley and canola are therefore likely to gain ground relative to wheat.”

Ultimately, Mr Joules said, RaboResearch expects a pronounced decline in total fertiliser consumption in Australia as growers respond to elevated prices and strategically adjust cropping rotations.

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