

**Food security****Hormuz disruption raises risk of global food shock, traders warn**

World 'on borrowed time' to avert crisis as higher gas prices squeeze fertiliser production



Agricultural traders warn that markets have yet to fully price in the risk of prolonged disruption to fertiliser and other key inputs © John MacDougall/AFP/Getty Images

**Susannah Savage, Malcolm Moore and Verity Ratcliffe** in Lausanne

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Disruption to energy flows through the Strait of Hormuz is exacerbating the risk of a global food shock, as higher gas prices squeeze fertiliser production and other sectors outbid agricultural producers for key inputs and logistics, traders have warned.

The narrow Gulf waterway handles roughly a fifth of global oil and liquefied natural gas exports and about a third of the seaborne fertiliser trade, making it a critical artery for food production as well as energy markets.

“We are on borrowed time,” said Pablo Galante Escobar, head of LNG at Vitol, speaking at the [FT Commodities Summit](#) in Lausanne on Tuesday.

Reduced LNG flows through the strait have already curbed industrial consumption. Escobar said about 40 per cent of the decline in gas demand had come from factories, particularly fertiliser plants, since the US and Israel launched strikes on Iran in late February. Natural gas is a key feedstock in nitrogen fertilisers such as ammonia.

“This is not sustainable — or the energy crisis will become a [food crisis](#),” he said, warning that reduced fertiliser availability would weigh on crop yields and push up food prices in coming seasons.

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Pablo Galante Escobar speaking at the FT Commodities Summit © FT Live

The disruption to shipping caused by the [Middle East war](#), which has included Iran’s closure of the strait and the US’s subsequent naval blockade of the Gulf chokepoint, is also spreading through global logistics.

Congestion at the Panama Canal has intensified as Asian buyers turn to crude oil exported from the US Gulf in place of Middle Eastern supplies, with tankers outbidding bulk carriers for scarce transit slots.

According to Louisa Follis, head of dry bulk analysis at shipbroker and marine consultancy Clarksons, this has left ships carrying lower-value cargoes such as grain facing rising freight costs and delays, with wait times at the canal stretching to around 40 days as oil tanker operators pay millions of dollars to skip to the front of the queue.

Some grain routes have already seen shipping rates increase by 50 to 60 per cent, she said.

That is adding to pressure on US farmers, who are already struggling to compete with lower-cost producers such as Brazil, Follis added, as higher freight rates erode margins and make it harder to reach emerging markets.

Higher bunker fuel costs are compounding the strain by forcing ships to slow down, reducing effective capacity across dry bulk markets. “That is introducing inefficiency to the system overall,” she said.

Agricultural traders warn that markets have yet to fully price in the risk of prolonged disruption to fertiliser and other key inputs.

Vijay Chakravarthy, chief risk officer at Louis Dreyfus Company, one of the world’s largest agricultural trading houses, said expectations of a shortlived conflict had left investors underestimating the potential impact.

“The market has not priced in a longer dislocation. Nobody is prepared for it,” he said, adding that even a further six months of disruption could have consequences for the 2027 crop cycle.

He also pointed to growing competition for other critical inputs such as sulphur, which is being diverted to higher-value industrial uses such as copper smelting, leaving fertiliser producers “at the back of the queue”.

Despite relatively ample global grain supplies, Chakravarthy warned that government responses could amplify the shock. Countries concerned about supply security may begin building up reserves, further tightening global availability and driving up prices, particularly for import-dependent economies.

“Everyone feels their sovereignty is somehow compromised in the supply chain,” he said.

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