

# How a War Over Oil Could Empty Your Grocery Store

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*Note: the original article is provided as a separate file (attached to the email or downloadable from the website).*

## 1. Explanation (Ages 14–18)

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*A single waterway narrower than some lakes carries a third of the world's seaborne fertilizer – and right now, it's effectively shut down, threatening to turn an energy crisis into a global food crisis.*

### What's Going On?

Since the US and Israel launched strikes on Iran in late February 2026, the Strait of Hormuz – a narrow chokepoint between Iran and the Arabian Peninsula – has been closed by Iran and subsequently blockaded by the US Navy. This waterway normally handles about 20 percent of global oil and LNG exports and roughly a third of all seaborne fertilizer trade. The closure has choked off supplies of natural gas, which is the essential raw ingredient (feedstock) for nitrogen-based fertilizers like ammonia.

The knock-on effects are cascading through global logistics in unexpected ways. Asian oil buyers, cut off from Middle Eastern crude, are now sourcing oil from the US Gulf Coast instead. That surge in tanker traffic has created massive congestion at the Panama Canal, where oil tankers are paying millions to jump the queue – pushing grain ships to the back of the line. Wait times at the canal have ballooned to around 40 days, and shipping rates on some grain routes have spiked 50 to 60 percent.

### How To Think About It

The global supply chain for food is less like a simple pipeline and more like a tightly interconnected web where energy, shipping, and agriculture all compete for the same limited resources. When one node gets disrupted, the shock ripples outward in ways that aren't immediately obvious.

- Think of it like surge pricing on steroids: just as Uber prices spike when everyone needs a ride at once, oil tankers are outbidding grain ships for scarce canal slots and fuel – except the consequence isn't a pricier ride home, it's more expensive bread in countries that import most of their food.
- It's also similar to how GPU shortages during the crypto mining boom drove up prices for gamers and AI researchers alike. When a high-value buyer (oil transport) competes with a lower-margin buyer (grain transport) for the same scarce resource (canal slots, fuel, ships), the lower-margin player gets squeezed out – even though society arguably needs the grain more.

### Key Things To Know

- About 40 percent of the decline in global gas demand since the conflict began has come from factories – especially fertilizer plants – meaning the production cuts are already happening, not hypothetical.
- Natural gas is not just fuel here; it's a feedstock, meaning it's literally a chemical ingredient in making ammonia-based fertilizers. No gas, no fertilizer. No fertilizer, lower crop yields.
- Louis Dreyfus Company, one of the four giant agricultural trading houses that dominate global grain markets, warns that even six more months of disruption could damage the entire 2027 crop cycle – meaning impacts would lag well behind any ceasefire.

- Sulphur, another key fertilizer ingredient, is being diverted to copper smelting and other higher-value industrial uses, putting fertilizer producers 'at the back of the queue' for multiple inputs simultaneously.
- What most people get wrong: global grain stockpiles are actually still relatively ample right now. The real danger is that governments, panicking about future scarcity, start hoarding – which creates the very shortage they fear. This self-fulfilling prophecy dynamic has triggered food crises before, notably during 2007-2008.

### **Why It Matters**

If you eat food – and last time we checked, you do – this story is about your future cost of living. Higher fertilizer costs mean higher grain prices, which feed into everything from cereal to chicken to cooking oil. For students headed to college or entering the workforce, persistent food inflation reshapes household budgets and economic stability worldwide. Import-dependent countries in Africa, the Middle East, and South Asia face the sharpest risks, which historically triggers migration waves, political unrest, and humanitarian crises that dominate headlines for years. This is also a case study in why geopolitics and economics are inseparable – a military conflict in the Persian Gulf can change the price of bread in Cairo or Lagos within months.

### **The Bigger Picture**

Historically, food price spikes have been among the most destabilizing forces in global politics – the Arab Spring of 2011 was partly triggered by surging wheat prices. The current situation is a stress test for the post-Cold War assumption that globalized trade and just-in-time supply chains make everyone better off. If the Hormuz disruption drags on, expect accelerated efforts by major nations to 'reshore' fertilizer production and diversify supply routes – expensive moves that could reshape agricultural economics for a generation. Watch for two second-order effects: whether countries impose export bans on grain (as India and others did in 2022), and whether the fertilizer squeeze pushes farmers to plant less, creating a delayed food supply crunch in 2027 that arrives long after the war itself might end.

## 2. Key Terms Glossary

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### **Strait of Hormuz**

A narrow waterway between Iran and Oman connecting the Persian Gulf to the open ocean. It's one of the world's most strategically important chokepoints for oil, gas, and fertilizer shipping.

### **LNG (Liquefied Natural Gas)**

Natural gas cooled to about  $-162^{\circ}\text{C}$  so it becomes liquid and can be shipped by tanker. It's a major global energy commodity and a key input for fertilizer production.

### **Feedstock**

A raw material used as an input in an industrial process. In this context, natural gas serves as the chemical base from which nitrogen fertilizers like ammonia are manufactured.

### **Nitrogen fertilizer**

A class of fertilizers — including ammonia, urea, and ammonium nitrate — that supply nitrogen to crops. They're essential for modern agriculture and are primarily made from natural gas.

### **Bunker fuel**

The heavy fuel oil or marine diesel used to power large cargo ships. When its price rises, ships slow down to save fuel, reducing the effective carrying capacity of the global fleet.

### **Dry bulk carriers**

Ships designed to transport unpackaged commodities like grain, coal, or iron ore — as opposed to tankers (which carry liquids) or container ships.

### **Freight rate**

The price charged to transport goods by ship, truck, or rail. It fluctuates based on demand for shipping capacity, fuel costs, and route availability.

### **Chokepoint**

A narrow geographic passage — like a strait or canal — through which large volumes of trade must pass, making it strategically vulnerable to disruption.

### **Food security**

The condition in which all people have reliable access to sufficient, safe, and nutritious food. It's threatened when supply chains break, prices spike, or governments hoard supplies.

### **Seaborne fertilizer trade**

The global movement of fertilizer products by ocean-going ships. About a third of this trade normally passes through the Strait of Hormuz.

### 3. Reading Comprehension Quiz

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Circle the best answer for each question.

**Q1.** What is the central argument of the article?

- A) The closure of the Strait of Hormuz is primarily an energy crisis with limited agricultural consequences.
- B) Disruption at the Strait of Hormuz threatens to transform an energy crisis into a global food crisis through multiple interconnected supply chain effects.
- C) Global grain stockpiles are dangerously low, and the Hormuz disruption will cause immediate famine.
- D) The US naval blockade is deliberately targeting food shipments to pressure Iran.

**Q2.** According to the article, which of the following is NOT a direct consequence of the Hormuz disruption?

- A) Fertilizer plants reducing production due to natural gas shortages
- B) Oil tankers outbidding grain ships for Panama Canal transit slots
- C) Brazil overtaking the US as the world's largest grain exporter
- D) Shipping rates on grain routes increasing by 50 to 60 percent

**Q3.** What percentage of the decline in gas demand since the conflict began has come from factories, particularly fertilizer plants?

- A) 20 percent
- B) 33 percent
- C) 40 percent
- D) 60 percent

**Q4.** In the context of the article, what does the phrase 'on borrowed time' most nearly mean?

- A) Operating on a delayed payment schedule for commodities
- B) Functioning under conditions that cannot be sustained much longer before serious consequences materialize
- C) Relying on outdated trading strategies that will soon become obsolete
- D) Benefiting temporarily from time zone differences in global markets

**Q5.** Why does the diversion of sulphur to copper smelting matter for food production?

- A) Copper smelting produces toxic emissions that damage nearby farmland.
- B) Sulphur is a key fertilizer ingredient, so its diversion to higher-value industrial uses reduces fertilizer supply.
- C) Copper prices directly determine the cost of farm machinery.
- D) Sulphur shortages force ships to use alternative fuels that slow down delivery times.

**Q6.** What can be inferred about why markets have not fully priced in the risk of prolonged disruption?

- A) Commodity traders lack access to reliable information about the conflict.
- B) Government subsidies are masking the true cost of the disruption.
- C) Investors have been assuming the conflict will be short-lived, leading them to underestimate longer-term impacts.
- D) Agricultural commodities are traded on different exchanges than energy commodities.

- Q7.** What is the primary rhetorical effect of quoting multiple industry leaders from different sectors (LNG, shipping, agricultural trading)?
- A)** To show that experts frequently disagree about the severity of supply chain disruptions
  - B)** To demonstrate that the threat is recognized across multiple interconnected industries, reinforcing the article's argument about systemic risk
  - C)** To provide balanced coverage by including perspectives from both supporters and critics of the naval blockade
  - D)** To highlight the competitive tensions between energy and agricultural traders
- Q8.** The article's tone is best described as:
- A)** Alarmist and sensationalized, using fear to drive engagement
  - B)** Detached and academic, avoiding any sense of urgency
  - C)** Urgent but measured, presenting expert warnings supported by specific data
  - D)** Optimistic, suggesting that markets will self-correct before a crisis emerges
- Q9.** Based on the article, which scenario would most likely worsen the food crisis beyond what is currently expected?
- A)** A rapid ceasefire that reopens the Strait of Hormuz within weeks
  - B)** Multiple grain-importing nations simultaneously building up strategic reserves
  - C)** A shift from nitrogen-based to phosphorus-based fertilizers globally
  - D)** Increased US domestic consumption of natural gas for heating
- Q10.** The article implies that the relationship between energy markets and food markets is best understood as:
- A)** Separate systems that occasionally overlap during extreme geopolitical events
  - B)** Deeply interdependent, with energy serving as both a physical input to food production and a competitor for shared logistics infrastructure
  - C)** A one-directional relationship where energy prices affect food but not vice versa
  - D)** Primarily connected through consumer spending patterns rather than supply chains

**My Score:** \_\_\_\_\_ / 10

## 4. Answer Key with Explanations

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**Q1.** What is the central argument of the article?

**Answer: B**

The article's core thesis is that the Hormuz disruption is creating cascading effects – from gas shortages to fertilizer production cuts to shipping congestion – that collectively threaten food security. Option A is wrong because the article explicitly argues the crisis extends well beyond energy. Option C is contradicted by the article's note that grain supplies are currently 'relatively ample.'

**Q2.** According to the article, which of the following is NOT a direct consequence of the Hormuz disruption?

**Answer: C**

While the article mentions that US farmers are struggling to compete with lower-cost producers like Brazil, it never states that Brazil has overtaken the US as the largest grain exporter – that detail is fabricated. Options A, B, and D are all explicitly cited in the article as consequences of the disruption.

**Q3.** What percentage of the decline in gas demand since the conflict began has come from factories, particularly fertilizer plants?

**Answer: C**

Pablo Galante Escobar of Vitol stated that about 40 percent of the decline in gas demand came from factories, particularly fertilizer plants. Option A (20 percent) refers to the strait's share of global oil and LNG exports, and option D (60 percent) is part of the shipping rate increase figure – both are plausible distractors drawn from other statistics in the article.

**Q4.** In the context of the article, what does the phrase 'on borrowed time' most nearly mean?

**Answer: B**

When Vitol's Pablo Galante Escobar says 'we are on borrowed time,' he means the current situation is unsustainable and a crisis is approaching if action isn't taken. The phrase implies a temporary reprieve before inevitable consequences. Option A misinterprets the phrase literally in a financial context.

**Q5.** Why does the diversion of sulphur to copper smelting matter for food production?

**Answer: B**

The article explains that sulphur is being diverted to copper smelting and other higher-value uses, leaving fertilizer producers 'at the back of the queue.' This matters because sulphur is a critical input for certain fertilizers. Option A is a plausible-sounding environmental concern but is not mentioned in the article.

**Q6.** What can be inferred about why markets have not fully priced in the risk of prolonged disruption?

**Answer: C**

Vijay Chakravarthy of Louis Dreyfus explicitly states that 'expectations of a shortlived conflict had left investors underestimating the potential impact.' The market's failure to price in risk stems from optimism bias about the conflict's duration. Option B is plausible but unsupported by the article.

**Q7.** What is the primary rhetorical effect of quoting multiple industry leaders from different sectors (LNG, shipping, agricultural trading)?

**Answer: B**

*By quoting leaders from LNG (Vitol), shipping analysis (Clarksons), and agricultural trading (Louis Dreyfus), the article builds a case that the risk is systemic – affecting energy, logistics, and food simultaneously. The sources largely agree rather than disagree (ruling out A), and none discuss the politics of the blockade itself (ruling out C).*

**Q8.** The article's tone is best described as:

**Answer: C**

*The article conveys genuine urgency – phrases like 'on borrowed time' and 'nobody is prepared for it' – but grounds its claims in specific statistics and named expert sources rather than resorting to hyperbole. Option A is too extreme; the article maintains journalistic restraint. Option D contradicts the article's central warning.*

**Q9.** Based on the article, which scenario would most likely worsen the food crisis beyond what is currently expected?

**Answer: B**

*The article specifically warns that government hoarding – countries building up reserves out of supply-security fears – could amplify the shock by tightening global availability and driving up prices. Chakravarthy notes that sovereignty concerns could trigger this behavior. Option A would actually alleviate the crisis, not worsen it.*

**Q10.** The article implies that the relationship between energy markets and food markets is best understood as:

**Answer: B**

*The article's entire framework rests on the idea that energy and food are intertwined at multiple levels:*