



Impact of the 2026 Middle East Conflict on Indian Agriculture: A Comprehensive Analysis of Trade, Input Costs, and Food Security

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The ongoing geopolitical instability in the Middle East, escalating into a significant regional conflict in early 2026, has sent shockwaves through global commodity markets, with profound implications for Indian agriculture. This article examines the multi-dimensional impact of the crisis, focusing on three critical vectors: the disruption of the fertilizer supply chain, the surge in energy-driven cultivation costs, and the logistical bottlenecks in the Red Sea and Strait of Hormuz. As India remains heavily dependent on Middle Eastern imports for natural gas and phosphatic fertilizers, the conflict has triggered a sharp rise in the national subsidy burden and a domestic supply crunch. Simultaneously, the rerouting of maritime trade around the Cape of Good Hope has eroded the competitive advantage of Indian agricultural exports, particularly Basmati rice and spices. Through an analysis of trade data, fiscal policy, and inflationary trends, this study concludes that while India maintains domestic food security through robust buffer stocks, the economic profitability of the agrarian sector is being severely compromised by external geopolitical variables.

The fertilizer crisis: a strategic vulnerability

India's agricultural productivity is inextricably linked to the Middle East. As of 2026, the region accounts for nearly 35% of India's total fertilizer imports, including finished products and raw materials like rock phosphate and sulfur.

Feedstock and natural gas

The production of urea requires natural gas as a primary feedstock. With the escalation of hostilities, the "bridge" of LNG tankers from Qatar and the UAE has faced frequent interruptions.

- Capacity Utilization: Indian fertilizer plants, which were operating at 95% capacity in late 2025, have seen a drop to 78% by March 2026 due to gas shortages.
- The Price Gap: While the government-mandated price for urea remains low for farmers, the "import parity price" has surged. This creates a massive fiscal gap that the Union Budget must absorb to prevent farmer unrest.

Global supply chain chokepoints

The Strait of Hormuz is not just an oil artery; it is a nutrient artery. Military posturing in these waters has forced insurance premiums for cargo vessels to rise by 400% in a single quarter. This "war risk surcharge" is ultimately passed down the value chain, manifesting in higher costs for complex fertilizers (DAP and NPK) which are essential for the upcoming *Kharif* (monsoon) sowing season.

Logistics and the "distance tax"

The Red Sea crisis has effectively imposed a "distance tax" on Indian agricultural exports. For decades, the Suez Canal was the reliable shortcut to European and North African markets. Its current status as a high-risk zone has rewritten the economics of Indian trade.

The cape of good hope alternative

Rerouting ships around the southern tip of Africa adds approximately 6,000 to 8,000 kilometers to the journey.

1. **Fuel Consumption:** Vessels burn an additional \$1 million to \$1.5 million in fuel per round trip.
2. **Container Scarcity:** Because ships are spending more time at sea, the "turnaround time" for containers has slowed. India is currently facing a domestic shortage of empty 20-foot equivalent units (TEUs).
3. **The "Perishability Trap":** India's export market for table grapes and mangoes to the EU is under threat. Even with controlled-atmosphere (CA) containers, a 45-day journey (up from 22 days) leads to a significant reduction in shelf-life.

The energy-agriculture nexus

The correlation between Brent crude prices and Indian farm gate costs is nearly linear. In March 2026, with oil hovering at \$112 per barrel, the mechanical costs of farming have hit a record high.

Diesel and irrigation

In regions like Punjab and Haryana, groundwater extraction is heavily dependent on diesel-powered pumps where electricity grids are inconsistent.

- **Tillage Costs:** Land preparation costs have risen by 15% year-on-year.
- **Harvesting Logistics:** The cost of hiring combine harvesters and transporting grain from the field to the *mandi* has surged, eating into the farmer's net margin despite recent hikes in Minimum Support Prices (MSP).

Input inflation: pesticides and plastics

Modern agriculture relies on petroleum derivatives. The price of plastic mulch films, greenhouse cladding, and synthetic pesticides has risen by 12–18% since the conflict began, as the raw materials (ethylene and propylene) are direct byproducts of troubled oil refineries.

Impact on key export commodities

Basmati rice: the premium grain under pressure

India commands over 70% of the global Basmati trade.

- **The Iran Factor:** Iran has traditionally been a top-three buyer. The conflict has disrupted "Rupay-Rial" trade mechanisms, leading to a 30% drop in shipment volumes.
- **The European Shift:** High freight rates have made Indian Basmati roughly \$150 per tonne more expensive than Pakistani counterparts, leading to a loss of market share.

Spices and plantation crops

The "Spice Coast" is feeling the heat. Black pepper and cardamom exports to Saudi Arabia and the UAE have slowed due to port congestion in Jebel Ali. The tea industry has seen its "Orthodox Tea" exports hampered by a lack of available shipping slots.

Currency volatility and trade finance

Geopolitical conflict typically triggers a "flight to safety," strengthening the US Dollar.

- **Rupee depreciation:** As the Indian rupee (INR) weakens, hitting 92.33 per USD in March 2026, the cost of imported potash and crude oil rises automatically.
- **Working capital strains:** For the average exporter, the time from "shipment" to "payment" has doubled. This locks up liquidity, especially for MSMEs.

Strategic diversification: the path forward

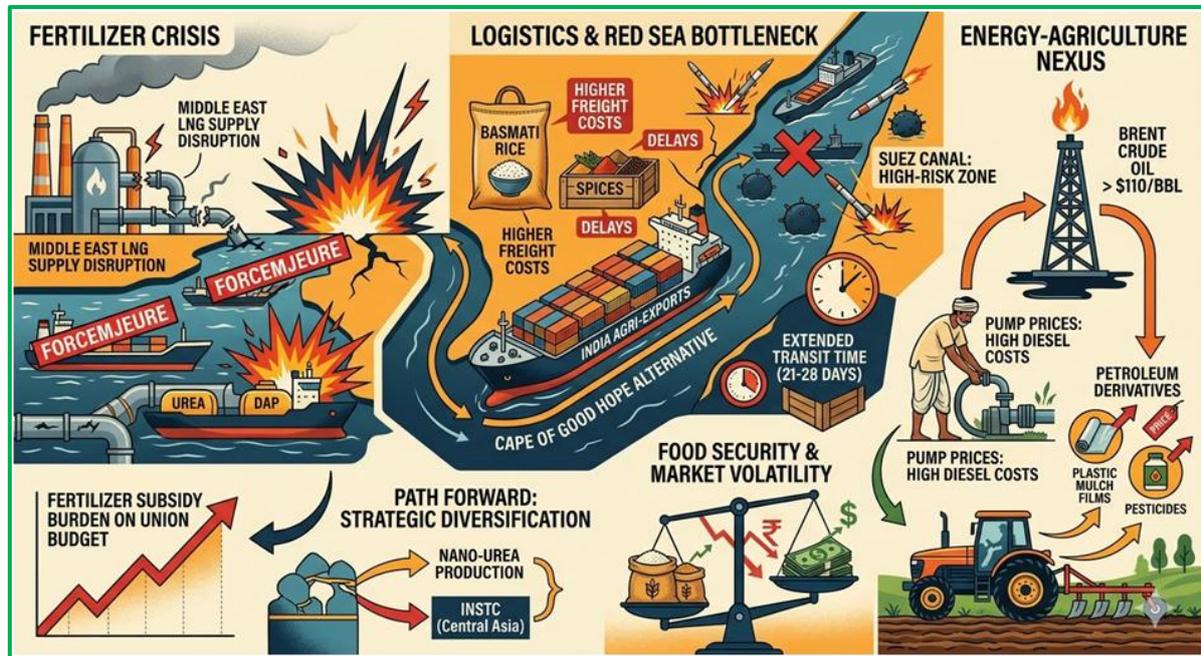
The 2026 crisis serves as a wake-up call for the "Atmanirbhar" movement.

Reducing import dependency

The government is now fast-tracking nano-urea and nano-dap production to reduce the bulk import of raw materials.

Alternative trade routes

In the interim, India is exploring the International north-south transport corridor (INSTC) through central asia as a more stable alternative to the Red Sea.



Conclusion

The Middle East war of 2026 has demonstrated that Indian agriculture is a cog in a global machine. The immediate outlook is one of high input costs and narrowed export margins. While domestic food security remains shielded by vast production and government procurement, the commercial viability of high-value agriculture is under duress.

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