

NZ Agri Insight: Fuel and fertiliser prices to rise

17 March 2026

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Echoes of 2022

Summary

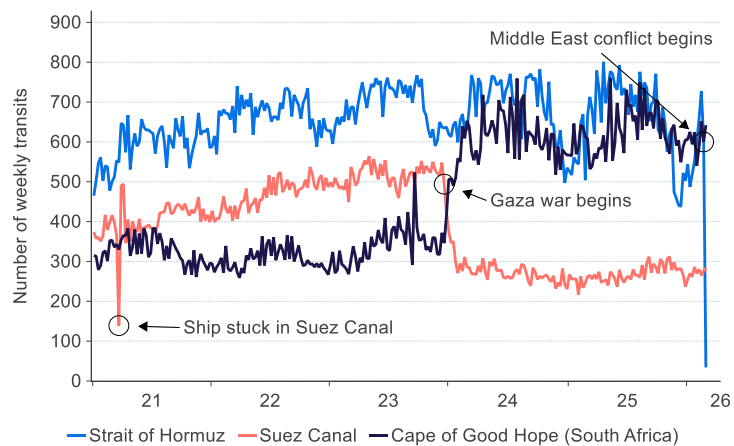
- Globally, fertiliser and fuel prices are rising, and this will flow through to higher prices in New Zealand.
- NZ exports to the Middle East will also be disrupted for as long as the Strait of Hormuz is impassable, with dairy having the largest exposure.
- It's not clear how long this conflict will last, but the longer and more destructive it is, the longer global energy markets will take to recover.
- The situation is challenging, but it's not time to panic. New Zealand's agri sector is in a much better place than it was in 2022 when the Russia-Ukraine war began.

Middle East conflict brings higher fuel and fertiliser prices

The challenges facing New Zealand as a result of the current Middle East conflict pale in comparison to the millions of people directly affected. But for as long as goods cannot enter or leave the Persian Gulf via the Strait of Hormuz, and global oil production is constrained, we are affected by this conflict.

Ship traffic to and from the Persian Gulf has fallen to almost zero since the current Middle East conflict began. Very few ships are attempting to transit the Strait of Hormuz, and some shipping insurers are withdrawing coverage for War and Strikes in the area.

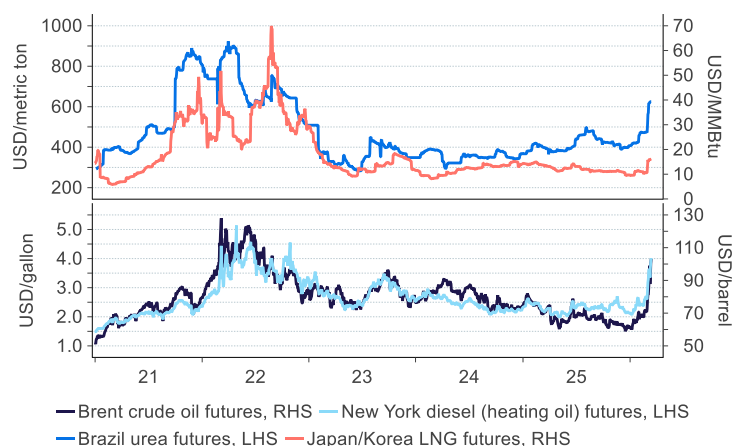
Figure 1. Disruption to Middle East shipping routes since 2021



Source: IMF, Macrobond, ANZ Research

The prices of fuel and fertiliser, derived from oil and natural gas respectively, have risen rapidly. Since the start of the conflict in late February, global prices for urea have increased 32%, while crude oil is up 42%, LNG up 51%, and diesel is up 55% (Figure 2).

Figure 2. Oil and gas, diesel and urea



Source: CME Group, ICE, Macrobond, ANZ Research

As [noted](#) previously, oil shocks impact New Zealand fuel prices quickly, while further inflationary impacts take more time to work through supply chains. A weaker NZD will help exporters but will make imports (including fuel and fertiliser) more expensive.

The impacts on New Zealand agriculture are likely to primarily on the import side, namely fuel and fertiliser prices. We assume we will still be able to have fertiliser (and fuel) delivered but cannot take it for granted.

On the export side, logistics are complex and challenging, but most commodity prices are holding steady or rising amid a general rush to secure supply. The Persian Gulf is a key destination for dairy and other agricultural products from New Zealand.

The current situation brings back memories of February 2022 when Russia invaded Ukraine. Both 2022 and 2026 were conflict-driven shocks that cut off access to large suppliers of key commodities. In 2022, it was the Russian and Ukrainian ports on the Black Sea, a key source of grain, fertiliser, and natural gas via pipeline to Europe. In 2026, it's the ports in the Persian Gulf. Around 20% of the world's oil and gas production passes through the Strait of Hormuz, plus a significant portion of fertiliser and other petrochemicals. In addition, the Persian Gulf is also a key route for food imports into the Middle East and a major airport hub connecting travellers between Europe, Asia, and Africa.

The duration of the conflict and disruption is the key unknown. If the conflict is resolved in the next few weeks and the Strait of Hormuz is reopened, most of these immediate impacts will fade with time (though risk-mitigation behaviours will change energy policies over the long term). The longer the conflict lasts, or if significant infrastructure is destroyed, the longer it will take for oil and gas supplies to recover. This would allow this inflationary shock to ripple through the global economy and New Zealand's rural sector in a more substantive way.

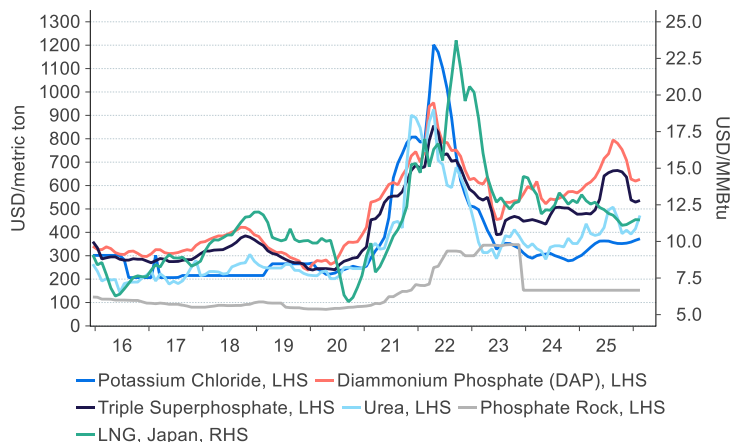
The impact is potentially serious, but it is not time to panic. New Zealand's rural economy is in a more resilient position than it has been in quite some time, especially compared to 2022. Balance sheets are strong. Amid all the stress and uncertainty of the current situation, have a cup of tea with your customers, employees, and suppliers. Acknowledge the forces out of your control and let them know you're someone they can count on in this uncertain world.

Farm input prices will rise

Fertiliser and fuel prices will inevitably rise – indeed this has already started happening – adding costs to the New Zealand agri sector. According to Stats NZ, fuel and fertiliser combined account for 11.4% of farm expenses (averaged across all farm types). This is likely to be especially difficult for the grain sector, which has been struggling the past few years, and sheep and beef farmers who still need to catch up on capital fertiliser applications after cutting back the past few years. However, the agri sector overall is in a much better place to weather these shocks than it was in 2022.

New Zealand imported \$1.43 billion worth of fertiliser products in 2025, with China, Saudi Arabia, Canada, and Morocco the main origins (Table 1). Saudi Arabia is our largest source of urea, and the Middle East is also a key source of sulphur, DAP, and other fertilisers. Regardless of origin, global prices will rise for virtually all fertilisers. Figure 3 shows that most global fertiliser prices (except phosphate rock) tend to move together, especially in times of disruption.

Figure 3. Fertiliser and natural gas prices



Source: World Bank, Bloomberg, Macrobond, ANZ Research

Table 1. New Zealand’s fertiliser imports in 2025

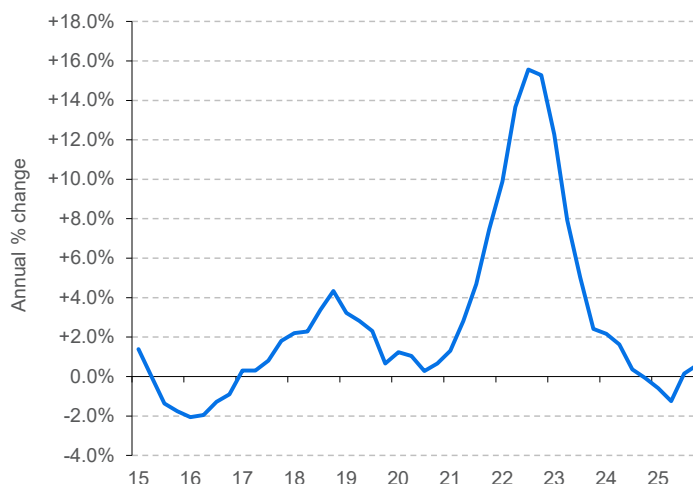
Product	Imports (\$m)	Main sources
Urea	403	Saudi Arabia, China, Malaysia
Diammonium phosphate (DAP)	334	China, Vietnam, Saudi Arabia, Morocco
Rock phosphate	169	Morocco, Togo, Australia
Potassium chloride	140	Canada
Sulphur	77	Canada, Oman, South Korea
Other fertiliser	304	
Total	1,427	China, Saudi Arabia, Canada, Morocco

Source: Stats NZ, ANZ Research

Petrol and diesel prices are already rising, putting further pressures to farm input costs. As Figure 2 shows, diesel prices are correlated with crude oil, and urea prices are correlated with natural gas. At the moment, that distinction doesn’t matter as everything is rising, but it is worth keeping in mind as events unfold.

Back in 2022, inflation was rampant in New Zealand and globally, interest rates were just beginning their rapid climb. The rural sector was still off-balance from the COVID-19 response. Farm input costs increased 27% between Q4 2020 and Q4 2023 (Figure 4).

Figure 4. On-farm inflation (excluding livestock purchases)



Source: Stats NZ, ANZ Research

By contrast, over the past two years the New Zealand agri sector has enjoyed a run of strong commodity prices (for the most part), falling interest rates, and stable on-farm costs. Debt levels are far more manageable, and the industry is overall in a much better place to weather this shock.

Export and commodity market impacts

Persian Gulf countries are key dairy export destinations, both for New Zealand and other exporters. Despite temporarily losing access to the Persian Gulf, dairy commodity prices have risen since the current conflict began. This largely reflects buyer behaviour in a significantly riskier geopolitical environment, where having inventory on hand is more important than getting the best price.

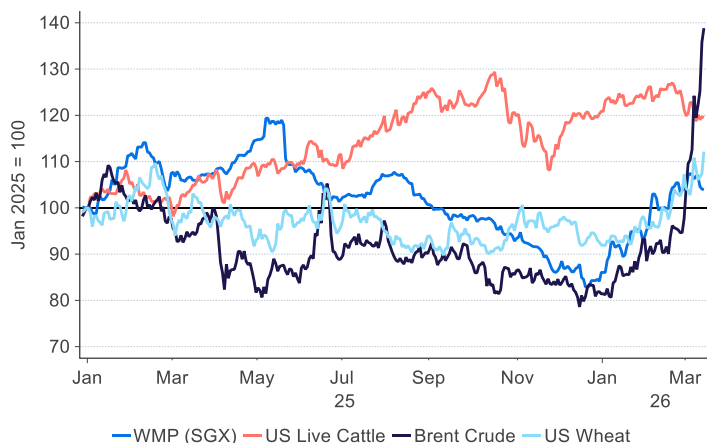
There are a lot of product-specific responses to this conflict, but the main theme is higher commodity prices virtually across the board (Figure 5). Product-specific supply and demand matters less today than it did a few months ago.

Prior to the conflict, demand was consistent, and supply was the main variable in the supply/demand balance. Dairy prices were weak due to plentiful supply and meat prices were strong due to tight supply. Now there is a lot of uncertainty about product availability across most commodities, which drives buyer behaviour in the short term. When the situation eventually stabilises, the fundamentals of each commodity will matter again.

Higher fertiliser costs will affect global agriculture, not just farmers in New Zealand. The longer this conflict lasts, the greater the potential for production to fall and food prices to rise. We are still a long way from this being a reality, and it is hard to predict how specific commodity markets will evolve, but it could provide a valuable offset for New Zealand farmers' profitability.

For example, the US dairy industry will have higher input costs due to higher grain and oilseed prices, but dairy prices are also higher. What does that mean for US dairy profitability and production? How does that compare to the higher fertiliser prices facing New Zealand dairy farmers? The market will answer these questions, and more, in time.

Figure 5. Most commodity prices moving up



Source: SGX, CME Group, ICE, Macrobond, ANZ Research

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