



Alisher Mirzabaev,  
Shyam Basnet, and  
Valerien Pede



IRRI Global Rice Market Brief Series - Issue#9 - March 2026

The Middle East War:

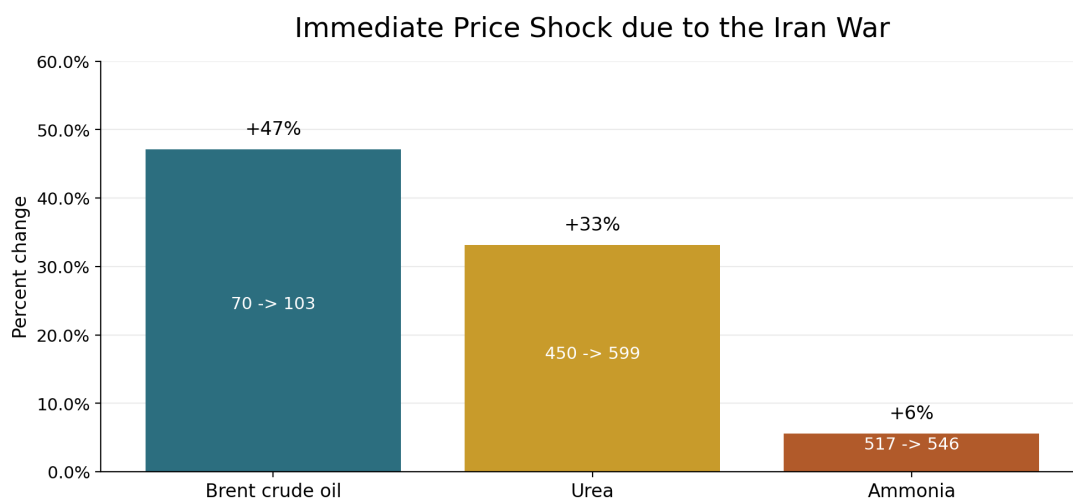
# Shockwaves Across Rice Economies

## The Middle East War: Shockwaves Across Rice Economies

### Highlights

- The Iran war is transmitting to rice economies through three linked channels: 1) direct disruption of premium basmati rice trade, 2) energy and freight costs, and 3) fertilizer supply and prices.
- Bulk rice entered March 2026 from a position of abundant supply and soft prices. That makes a 2023-style immediate global rice price spike less likely in the near term.
- Basmati is the most directly exposed segment. Significant amounts of Indian basmati were reported backed up at ports and in transit in early March, while buyers in Saudi Arabia, Iran, and the United Arab Emirates account for major shares of India’s and Pakistan’s basmati shipments.
- If disruption through the Strait of Hormuz lasts, the energy and fertilizer channels may become much more consequential short- and medium-term risks than the initial logistics shock, especially for Asia’s next crop cycle.

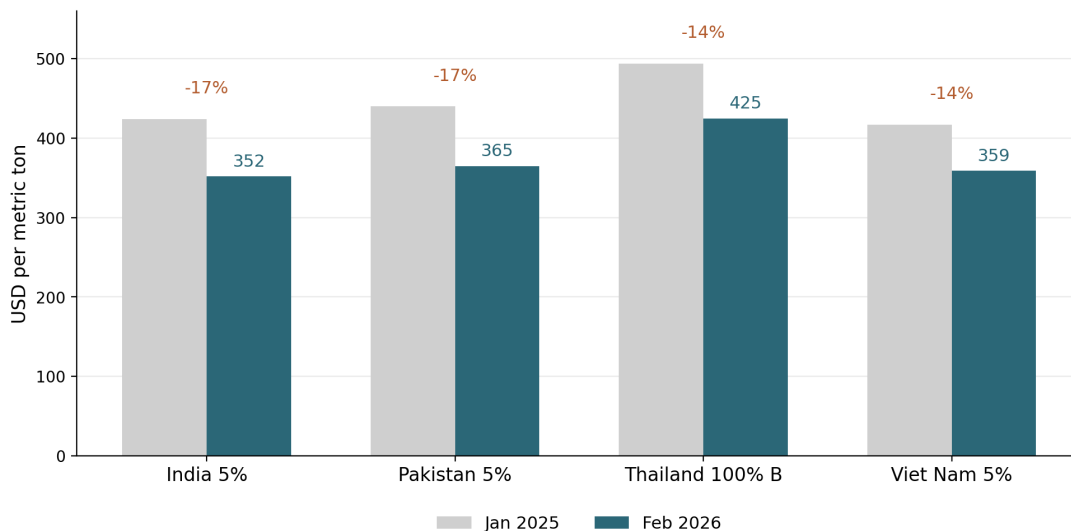
**How the Iran war affects rice economies.** The rice market is not tied to the Gulf in the same way as oil or liquefied natural gas (LNG), but rice economies are deeply exposed to Gulf-driven cost and logistics shocks. Since the late-February escalation of the war, shipping through the Strait of Hormuz has been severely disrupted, Brent crude oil has surged, and marine risk costs have increased sharply. By 15 March 2026, Brent crude oil was trading around USD 100 per barrel<sup>1</sup>. The prices are forecast to stay above USD 95 per barrel for the next two months<sup>2</sup>. The Hormuz strait is a conduit for about one-fifth of global oil flows and roughly one-third of global nitrogen fertilizer trade<sup>7</sup>. Those numbers matter for rice because they affect shipping costs, fertilizer availability, exchange rates, inflation, and ultimately the livelihoods and food security of hundreds of millions of rice growers and billions of consumers.



Data sources: Trading Economics, SGX Group. Price changes are between 20 February and 15 March 2026.  
 Note: Ammonia price is in USD/ton. Brent crude oil price is given in USD/barrel.  
 Urea price is in USD/ton. Ammonia: SGX Argus Ammonia CFR East Asia Futures.

**This is not a tight-market shock.** The global rice market entered the Iran war from a glut position, not from scarcity. For February 2026, the FAO All Rice Price Index averaged 103.2 points, 0.4 percent above January and 2.5 percent below a year earlier. Key export quotations were USD 352/MT for India 5%, USD 365/MT for Pakistan 5%, USD 359/MT for Viet Nam 5%, and USD 425/MT for Thai 100% B white. Relative to January 2025, these quotations were still 14–17 percent lower<sup>3</sup>. This is why the first-round effect of the war is more about margin compression, delayed cargoes, and cost pass-through than about an immediate physical shortage of rice in world markets, although in Middle Eastern markets, rice prices are likely to rise more sharply in case of persistent supply constraints.

International rice export prices at low levels before the Iran war



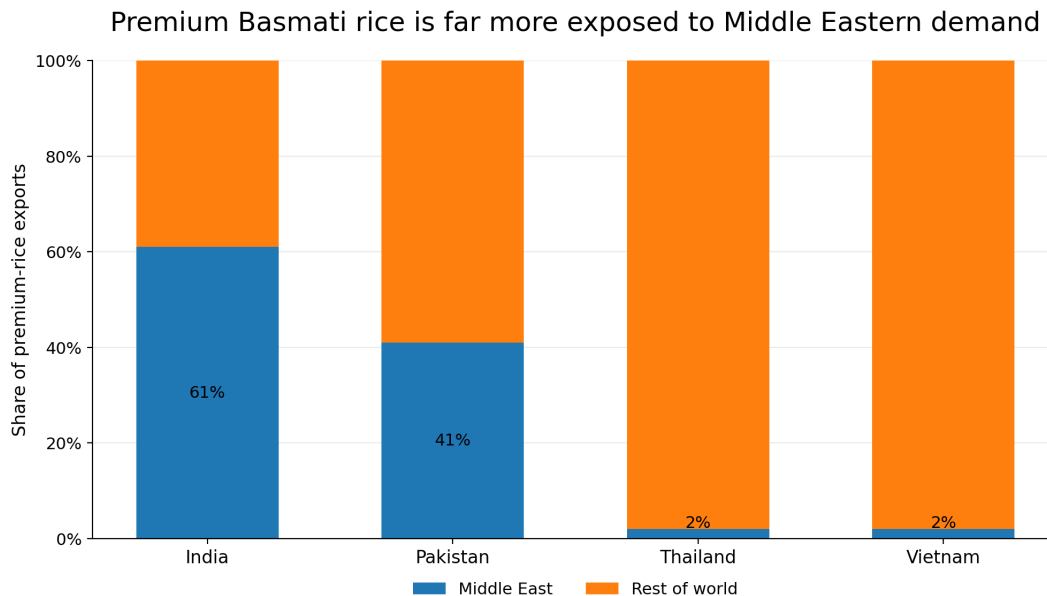
Source: FAO Rice Price Update.

**Impact channel 1: Premium rice is much more exposed than bulk white rice.** The first channel is direct demand exposure. Premium rice is far more dependent on Middle Eastern buyers than bulk white rice. The Middle East accounted for an average of 61 percent of India’s premium-rice exports in 2025 and 41 percent of Pakistan’s, while the comparable shares for Thailand and Viet Nam were below 2 percent<sup>4</sup>. Reuters reported that around 400,000 metric tons of Indian basmati were stranded at ports and in transit, and that new deals had dried up<sup>5</sup>. In the short run, that creates shipment backlogs, cash-flow stress, higher carrying costs, and likely downward pressure on realized portside prices in exporting countries. In the medium term, however, once routes reopen, Gulf buyers may restock aggressively. Iran had already become a difficult market even before the war widened due to payment risks, the fall of the rial, and the suspension of subsidized foreign exchange for food imports. The war, therefore, hits a trade corridor that was already fragile. The implication is that premium rice disruption is not only about freight. It is also about payment risk, importer liquidity, and whether Iranian demand can convert into effective purchasing power.

**Impact channel 2: Oil, freight, insurance, and exchange-rate pressure.** The second channel is through oil prices and logistics costs. Oil prices have already shot up by 47% compared to pre-war levels to about 100 USD per barrel. Higher oil prices feed directly into production through more expensive diesel for land preparation, groundwater pumping, harvesting, threshing, drying, and domestic transport, and indirectly

through higher fertilizer manufacturing and distribution costs. Freight rates for Indian basmati shipments had more than doubled, and exporters had stopped taking new Middle Eastern orders while prioritizing existing contracts<sup>5</sup>. A number of marine insurers cancelled or repriced war-risk coverage, and tanker and container operators began avoiding the waterway. For rice, this means higher landed costs even when the underlying FOB grain price has not moved much. Energy-importing economies also face weaker currencies and tighter import financing when oil rises sharply. In this setting, rice becomes more costly not only to ship, insure, and finance, but also to produce, even before any deterioration in crop fundamentals.

**Impact channel 3: Fertilizer may become the bigger medium-term risk.** The third channel is agricultural inputs. Urea prices have already climbed by 33%, from around USD 149 per ton from pre-war levels near USD 450. The Strait of Hormuz carries about one-third of global fertilizer trade. This is critical for rice. Many Asian rice producers are dependent on fertilizer imports. For example, India buys more than 40 percent of its urea and phosphatic fertilizers from the Middle East. Three Indian plants had already been forced to reduce urea output after LNG supplies from Qatar dropped sharply<sup>6</sup>. If the disruption lasts, the fertilizer shock will not only raise current import bills; it will alter planting economics for the next rice crop.



Data source: Trade Data Monitor.

### Short-term outlook

The most likely near-term outcome is bifurcation. Premium rice remains the most volatile segment, with weaker spot trade now but a potentially sharp rebound later if Gulf buyers restock after routes normalize. Bulk rice prices should remain capped for now by large global supplies and India’s still-exceptional inventories. India and Pakistan face the most immediate direct impact because their premium basmati segments are deeply exposed to the Gulf. Thailand, Viet Nam, and Cambodia are less directly tied to Gulf premium demand, but they are not insulated: higher fuel, freight, and fertilizer costs will still raise the cost of moving rice and affect farm production and margins. For import-dependent countries in Africa and

Asia, the immediate problem is more likely to be shipping, fuel, and foreign-exchange pass-through than an outright shortage of rice itself. **The more dangerous scenario is not an immediate rice panic, but a longer Hormuz disruption that keeps oil and fertilizer prices high long enough to alter 2026 crop costs, fiscal costs to the public budgets, and exchange rates.** In other words, the war's first-round effects are logistical and financial; the second-round effects, if the conflict lasts, become agricultural and inflationary, with major negative impacts affecting food security.

### Policy takeaways

- The current Iran war-related shock is most immediate in premium segments, especially basmati, through trade routes, insurance, and buyer exposure in the Gulf, while bulk rice markets remain shaped more by large exportable supplies.
- International rice supplies are currently ample, but higher oil, freight, fertilizer, and insurance costs will feed into 2026 planting incentives, production costs, future supply amounts and price formation.
- Countries should avoid reacting as though a physical rice shortage is already underway; the more effective response is to keep trade channels functioning, secure fertilizer availability and affordability, and carefully monitor how the energy shock is altering planting and stocking decisions.

Sources: <sup>1</sup>[Trading Economics](#); <sup>2</sup>[US Energy information Administration](#); <sup>3</sup>[FAO](#); <sup>4</sup>[The Trade Data Monitor](#); <sup>5</sup>[Reuters, 03.03.2026](#), <sup>6</sup>[Reuters, 05.03.2026](#); <sup>7</sup>[Reuters, 13.03.2026](#).

### About the Authors

**Alisher Mirzabaev** is a Senior Scientist in Policy Analysis and Climate Change at the International Rice Research Institute (IRRI). His research spans rice agri-food systems, rice markets, economics of land degradation and climate change with over 100 scientific publications.

**Shyam Basnet** is an Agricultural Economist in the TPI Unit at IRRI, specializing in economic modeling and trade analysis. His research focuses on agri-food system assessment, economic model development, and policy impact evaluation.

**Valerien Pede** is a Senior Agricultural Economist at IRRI and currently serves as Head of the Transformative Policies & Investments (TPI) Unit. His research covers spatial econometrics and regional analysis, impact evaluation of agricultural technologies, foresight and policy analysis, commodity price dynamics, and the intersections of climate change, food security, and poverty.