

Global geopolitical escalation raises risks for South African agriculture

Tensions in the Middle East have escalated sharply following direct United States and Israeli attacks on Iran, including the reported killing of Iran's supreme leader. Previous hostilities had largely involved Iran and its regional allies, including Yemen and Hezbollah in Lebanon, in conflict with Israel. The latest developments have widened the confrontation across the region.

By [Gilberto Biacuana](#)

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In retaliation, Iran has launched attacks on Israel and on United States military interests across the Middle East, including reported strikes in the United Arab Emirates (UAE), Oman, Saudi Arabia, Jordan, Iraq, Kuwait, Qatar and Bahrain. Fighting continues with no ceasefire in sight, increasing uncertainty in global markets.

Two key transmission channels to the global economy

The economic impact of the conflict is expected to unfold mainly through two channels: trade disruption and oil supply shocks.

Firstly, the Gulf region is a critical hub for global trade. Major civil aviation centres such as Dubai and key Gulf ports facilitate the movement of both people and cargo. Any sustained disruption of these hubs would slow international trade and strain global supply chains.

Secondly, the Gulf region accounts for approximately 25% of global crude oil supply. The Strait of Hormuz, a vital shipping route for oil and gas exports, remains central to global energy logistics. Any threat to its operations would have immediate consequences for global energy markets.

Rising oil prices and inflation risks

Escalation in the region is already placing upward pressure on crude oil prices. As of 2 March 2026, oil prices were reported at above USD 78 per barrel, approximately 7.7% higher than a year ago. Further instability could push prices higher.

Higher oil prices, combined with supply chain disruptions, are likely to drive global inflation up after a period of relatively muted price pressures in 2025. In response, central banks, including the South African Reserve Bank (SARB), may be compelled to raise interest rates to contain inflationary pressures.



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At the same time, global risk aversion could lead to volatility in emerging market currencies, including the rand. A weaker rand would amplify imported inflation, particularly through higher food and energy costs.

Implications for South African agriculture

The agricultural sector is particularly exposed to these developments. Higher interest rates would increase the cost of capital for agribusinesses, potentially slowing investment in expansion and modernisation.

Farmers would also face a cost squeeze as input prices rise, especially fuel, agrochemicals and fertilisers. Fuel and gas are critical inputs in fertiliser and agrochemical production, and Iran is a significant global supplier of urea and ammonia, both key fertiliser components.

On the trade front, South Africa's agricultural exports could be disrupted if supply chains are constrained. The Middle East is an increasingly important export destination, accounting for approximately 17% of South Africa's total agricultural export value in the fourth quarter of 2025.

Key exports to the region include beef, goat and sheep meat, apples, citrus, pears, various nut and wine. The UAE and Saudi Arabia are among the most important markets for South African agricultural products.

Heightened uncertainty ahead

While the full economic impact will depend on the duration and intensity of the conflict, the risk to global energy markets, inflation, interest rates and trade flows are material. For South African agriculture, the combination of rising input costs, potential export disruptions and tighter financial conditions presents a challenging operating environment in the months ahead.

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