Two Shocks, One Direction: The Case for Agricultural Commodities in 2026

Published 15 May 2026

Nitesh Shah
Head of Commodities and Macroeconomic Research, WisdomTree Europe

Aneeka Gupta
Director, Macroeconomic Research

Key Takeaways

- The Iran war has turned the Strait of Hormuz into a food security issue. Nearly a third of global urea, half of seaborne sulphur, and a quarter of ammonia transit the Strait
- El Niño is developing on the hottest temperature baseline in recorded history.
- The worst of the supply impact has not yet shown up in the data. Fertilizer shortages take a full growing season to appear in yields, and El Niño's production damage typically peaks 6–12 months after the event itself, the market is still pricing in early innings.
- Soft commodities have the most direct historical sensitivity to El Niño

Agricultural commodity markets are experiencing a significant re-rating in 2026. The Bloomberg Commodity Agriculture Index has returned 13.4% Year to Date1, driven by a confluence of supply side shocks – a rising probability of an El Niño event disrupting growing conditions across three continents and the Iran war's disruption to shipping through the Strait of Hormuz. These forces are not independent; they interact and reinforce each other and together they are reshaping the near term supply outlook across the agricultural commodity complex.

This year alone the WisdomTree Agriculture ETC (Ticker: AIGA) has attracted US$1.2bn in inflows, taking the assets under management to US$1.4bn underscoring the growing institutional interest in diversified agricultural commodity exposure. The WisdomTree Agriculture ETC (Ticker: AIGA) tracks the Bloomberg Agriculture Subindex Total Return (Ticker: BCOMAGTR Index) comprising futures on coffee, cocoa, corn, cotton, soybeans, soybean oil, soybean meal, sugar, and wheat. It reflects the return on fully collateralised futures positions, quoted in USD. The fund's diversified basket construction means investors gain access to the broad agricultural commodity complex, capturing the notable gains in soybean oil (+56.6%), cotton (+21.5%), and wheat (+31.2%)2, while spreading risk across eight commodities rather than concentrating in any single position.

Agricultural commodities can be highly volatile and may be affected by weather events, geopolitical developments, currency movements, regulatory changes and fluctuations in global demand. Commodity ETCs may experience significant price swings and investors may lose some or all of their investment.

The Strait of Hormuz: A Key Chokepoint for Fertilizer Trade

Discussion of the Strait of Hormuz typically centres on oil. Less well understood is its parallel role in global fertilizer supply. The Persian Gulf nations — Iran, Qatar, Saudi Arabia, and the UAE — collectively represent one of the largest regional exporter of nitrogen fertilizers globally, a position reinforced after Russia's partial exit from normal trading channels following 2022. The Strait is the sole maritime exit for all of them. The scale of fertilizer exposure through the Strait is material:

- Urea (nitrogen): Approximately 30% of globally traded seaborne urea normally transits Hormuz. Global urea prices rose around 26% in the weeks following the conflict3.
- Sulphur: An estimated 44%4 of globally traded seaborne sulphur, the primary feedstock for phosphate fertilizer, passes through Hormuz. Disruption here affects the entire phosphate supply chain from India to Sub-Saharan Africa.
- Ammonia: Over 25% of globally traded ammonia transits the Strait. Iranian producers halted urea and ammonia output at the conflict's onset. Ammonia is the feedstock for virtually all nitrogen fertilizers.
- LNG as fertilizer feedstock: Approximately 20% of global LNG transits Hormuz, with 83% going to Asian markets5. Elevated LNG prices directly raise the cost of ammonia synthesis, creating a cost-push effect that extends well beyond the Gulf.

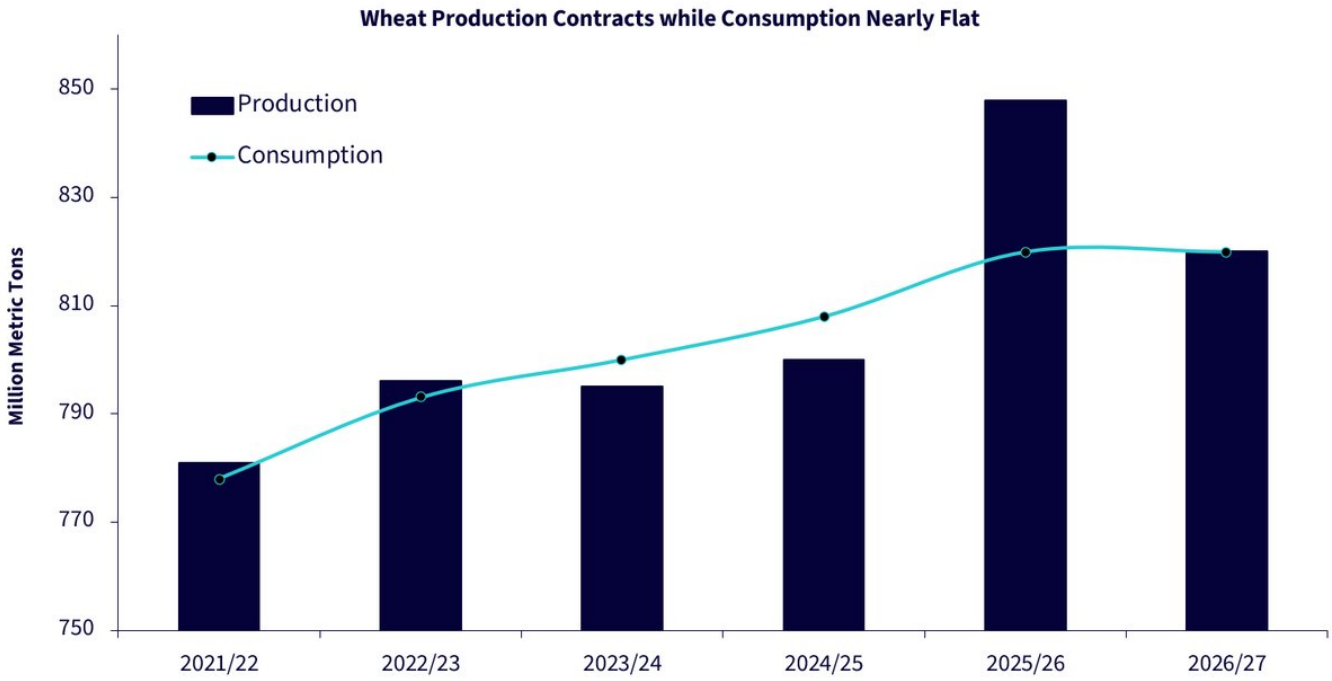
Transmission to Agricultural Commodity Markets

The Food Agricultural Organisation (FAO) has confirmed a developing fertilizer shortage across Asia and the Global South, with India, Bangladesh, Egypt, Sudan, and parts of Sub-Saharan Africa among the most affected regions. The key analytical point is the lag between the disruption and its harvest impact. Shipping delays from the Gulf to the Indian subcontinent run approximately 30 days, meaning supply shortfalls in March affected April and May planting windows, with the full harvest consequences not expected to become visible in production data until Q3–Q4 2026. Four transmission channels are most relevant for AIGA's constituent commodities:

- US area reallocation: The United States Department of Agriculture (USDA) stated that US grain production is expected to decline as area shifts toward soybeans (known to be less fertiliser intensive) "given better expected returns and higher fertilizer costs."6 This is a direct result of elevated input costs and has the effect of tightening the corn balance while adding to soybean supply. US corn production is forecast down 26 Million Metric Tons (MMT) from the prior-year record, the largest single-country volume reduction in the World Agricultural Supply & Demand Estimates (WASDE)6.

- Wheat: India's government has lifted its wheat export ban on the back of ample stocks, but fertilizer availability ahead of the June monsoon planting season is being constrained by Hormuz-related supply shortfalls. The global wheat outlook is for declining production after a record 2025/267. Production is projected lower with reductions for most major exporters but increases for many importers. Ending stocks are forecast to decline, with reductions for the United States, the European Union, China, and Australia, tempered by growing stocks in India.

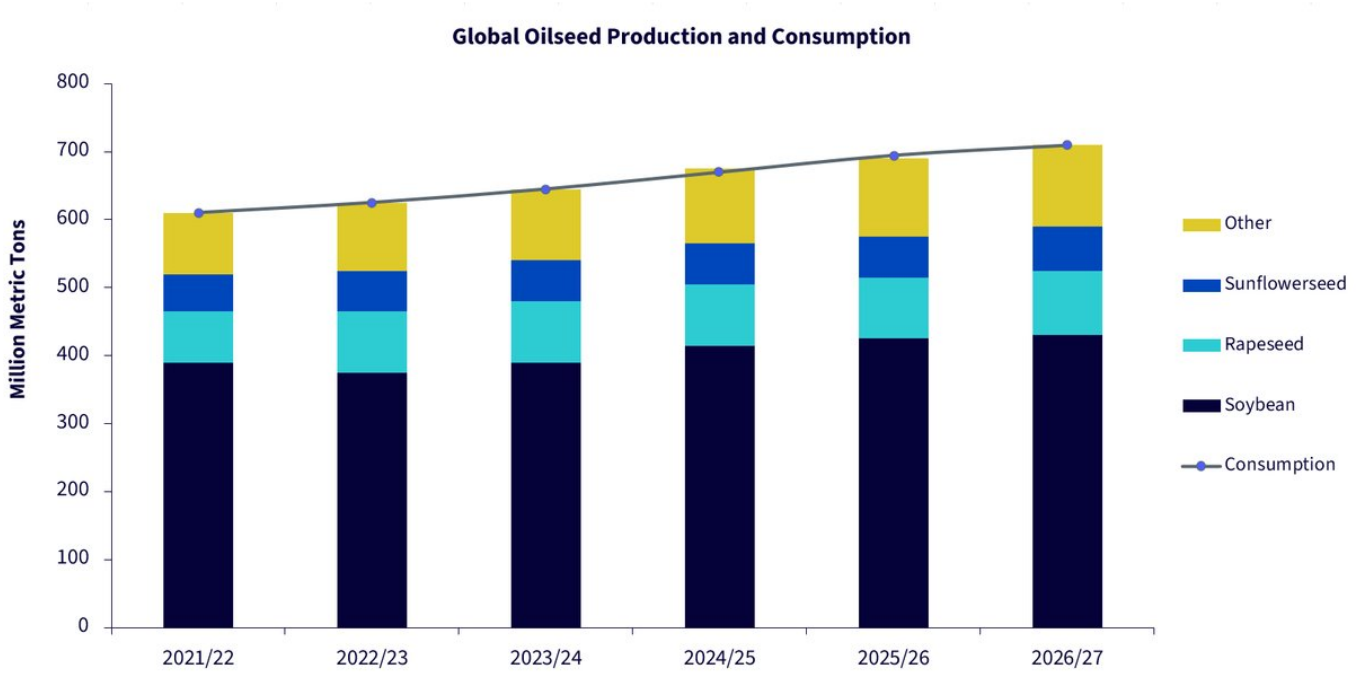
Figure 1:



Source: USDA Grain: World Markets and Trade report as of May 2026.

- Soybean oil and biofuel demand: Higher energy prices associated with the Hormuz disruption are reinforcing the economics of soybean oil as a biofuel feedstock. The USDA projects a 32% rise in US industrial soybean and rapeseed oil consumption driven by biofuel production in 2026/27, a trend that has been present since 2023 but has gained further momentum from the energy price environment. Soybean oil's +56.6% YTD move is the single largest contributor to AIGA's 2026 performance, and the USDA data suggests that some of the demand drivers are structural rather than transient8.

Figure 2:



Source: USDA Oilseeds: World Markets and Trade report as of May 2026.

- Yield compression: Farmers in Sub-Saharan Africa, South Asia, and Latin America applying reduced fertilizer rates in the 2026 planting cycle will carry lower yields into the 2026/27 harvest. Unlike a spot price shock, yield compression takes more than one growing season to reverse. For annually planted row crops such as wheat and corn, sub-optimal fertilizer application in the 2026 planting cycle will compress yields in the 2026/27 harvest, a one-season impact that can recover if input supply normalises. For perennial crops such as coffee and cocoa, the damage is more persistent: nutrient and weather stress during flowering and fruit-set reduces yields across multiple subsequent harvests from the same plants, and new planting takes three to five years to reach productive maturity. It is in the soft commodity complex, therefore, where the supply impact of the current disruption is most likely to extend beyond a single marketing year.

Super El Niño: Compounding the Fertilizer Supply Picture

An El Niño event is widely expected to develop during mid-2026. An El Niño weather event is triggered by a warming of a region in the Pacific Ocean, which drives a change in trade wind patterns around the world. Some places become hotter than normal. Other places become cooler than normal. Some places become wetter than normal, while others become drier. The key issue is that a weather deviation from normal has the potential to adversely affect crop yields. The World Meteorological Organisation's (WMO) April 2026 Global Seasonal Climate Update signals rapidly rising sea-surface temperatures in the Equatorial Pacific, with National Oceanic and Atmospheric Administration's (NOAA) Climate Prediction Centre assigning a 82% probability to El Niño onset during May–July 2026 (vs 61% probability in their April report). Its significance in the current context is that it has the potential to reduce agricultural crop

yields in the same producing regions that would otherwise have helped offset the input cost pressures arising from the Hormuz disruption. Both forces are pulling in the same direction at the same time.

What matters more is the timing and the baseline from which this event is developing. 2025 was cooler than 2024 due to a La Nina phase, despite being one of the warmest years on record overall. That La Niña induced cooling was always temporary. 2024 was the hottest year on record9 with global average surface temperatures 1.55 degrees above the 1850-1900 average, characterised by exceptional land and sea surface temperatures and ocean heat. Agricultural systems are already operating under stress from that elevated baseline and the return of El Niño layered on top of it compounds the risk materially.

Critically, the weather effects of El Niño tend to peak during December, but the impact typically takes time to spread across the globe. Much of the agricultural damage from an event that peaks in the northern hemisphere winter manifests in the following growing season, meaning stress that is already appearing in agricultural systems today is likely to intensify before it eases. Historical data shows there is typically a 6–12-month lag between the peak of an El Niño event and the peak of the production impact. Historically, agricultural commodity markets have often repriced ahead of confirmed production impacts, as markets tend to react in anticipation of tightening supply conditions.

Why AIGS and the El Niño backdrop are well-aligned

Historically, soft commodities have often shown heightened sensitivity. Soft commodities have consistently been the strongest performers during El Niño episodes, three of the five soft commodities (cotton, coffee, and sugar) moved to multi-year highs in 2022–23, and in late 2024 orange juice and cocoa reached record highs while coffee reached a record high in 202510. Every strong El Niño in the past 55 years has reduced global cocoa production, with Ecuador and Indonesia the most exposed origins and significant risks in West Africa (where most of the world's production is now concentrated).

For investors who wish to access the soft commodity dimension of the El Niño thesis more directly, WisdomTree offers a complementary product to AIGA via the WisdomTree Softs ETC (Ticker: AIGS). WisdomTree Softs is a fully collateralised, UCITS-eligible Exchange Traded Commodity (ETC) designed to provide investors with total return exposure to a basket of softs futures contracts. The ETC aims to replicate the Bloomberg Commodity Softs Subindex 4W Total Return Index (Ticker: BCOMSO4T). The index is composed of futures contracts on coffee, cotton, and sugar.

Conclusion

The agricultural commodity complex in 2026 is being shaped by two supply-side forces that are unusual both in their scale and in the way they interact. The Hormuz fertilizer disruption is affecting input costs and planting decisions in real time, with consequences that will continue to emerge in harvest data through Q3–Q4 2026 and into 2027. The developing El Niño is adding a climate layer on top of a temperature baseline that is structurally higher than any previous episode — and its production impact, when it arrives, will follow with a 6–12-month lag from peak.

1Bloomberg Finance L.P. from 31 December 2025 to 13 May 2026

2Bloomberg Finance L.P. from 31 December 2025 to 13 May 2026

3CRU as of 15 March 2026

4Argus Media as of 31 March 2026

5Energy Information Administration, June 2025

6United States Department of Agriculture (USDA) May World Agriculture Supply and Demand Estimates (WASDE) Report as of 12 May 2026

7United Stated Department of Agriculture as of May 2026

8Bloomberg Finance L.P. from 31 December 2025 to 13 May 2026

9World Meteorological Organization (WMO)

10Bloomberg Finance L.P. as of 31 March 2024

Important Risks Related to this Article

IMPORTANT INFORMATION

Marketing communications issued in the European Economic Area ("EEA"): This document has been issued and approved by WisdomTree Ireland Limited, which is authorised and regulated by the Central Bank of Ireland. **Marketing communications issued in jurisdictions outside of the EEA:** This document has been issued and approved by WisdomTree UK Limited, which is authorised and regulated by the United Kingdom Financial Conduct Authority. WisdomTree Ireland Limited and WisdomTree UK Limited are each referred to as "WisdomTree" (as applicable). Our Conflicts of Interest Policy and Inventory are available on request. This marketing communication is intended for all investors; however, the WisdomTree products described in this document and related materials may be restricted in certain jurisdictions and may only be available to particular categories of investors in accordance with applicable laws and regulations. Where a product is not authorised or its distribution is restricted in your jurisdiction, it is the responsibility of any person or entity in possession of this information to inform themselves of, and comply with, all relevant restrictions. Before making any investment, investors should seek appropriate legal, regulatory, tax and investment advice to assess the suitability and implications of investing in these products. Information about WisdomTree products is available at wisdomtree.eu. WisdomTree does not oer investment advice tailored to individual circumstances. Past performance is not a reliable indicator of future performance. Any historical performance included in this document may be based on back testing. Back testing is the process of evaluating an investment strategy by applying it to historical data to simulate what the performance of such strategy would have been. Back tested performance is purely hypothetical and is provided in this document solely for informational purposes. Back tested data does not represent actual performance and should not be interpreted as an indication of actual or future performance. The value of any investment may be aected by exchange rate movements. Any decision to invest should be based on the information contained in the appropriate prospectus and aer seeking independent investment, tax and legal advice. The content of this document does not constitute investment advice nor an oer for sale nor a solicitation of an oer to buy any product or make any investment. An investment in exchange-traded products ("ETPs") is dependent on the performance of the underlying index, less costs, but it is not expected to match that performance precisely. ETPs involve numerous risks including among others, general market risks relating to the relevant underlying index, credit risks on the provider of index swaps utilised in the ETP, exchange rate risks, interest rate risks, inflationary risks, liquidity risks and legal and regulatory risks. The information contained in this document is not, and under no circumstances is to be construed as, an advertisement or any other step in furtherance of a public oering of shares in the United States or any province or territory thereof, where none of the issuers or their products are authorised or registered for distribution and where no prospectus of any of the issuers has been filed with any securities commission or regulatory authority. No document or information in this document should be taken, transmitted or distributed (directly or indirectly) into the United States. None of the issuers, nor any securities issued by them, have been or will be registered under the United States Securities Act of 1933 or the Investment Company Act of 1940 or qualified under any applicable state securities statutes. This document may contain independent market commentary

prepared by WisdomTree based on publicly available information. Although WisdomTree endeavours to ensure the accuracy of the content in this document, WisdomTree does not warrant or guarantee its accuracy or correctness. Any third party data providers used to source the information in this document make no warranties or representation of any kind relating to such data. Where WisdomTree has expressed its own opinions related to product or market activity, these views may change. Neither WisdomTree, nor any ailiate, nor any of their respective oicers, directors, partners, or employees accepts any liability whatsoever for any direct or consequential loss arising from any use of this document or its contents. This document may contain forward looking statements including statements regarding our belief or current expectations with regards to the performance of certain assets classes and/or sectors. Forward looking statements are subject to certain risks, uncertainties and assumptions. There can be no assurance that such statements will be accurate and actual results could dier materially from those anticipated in such statements. WisdomTree strongly recommends that you do not place undue reliance on these forward-looking statements. WisdomTree Commodity Securities Limited The products discussed in this document are issued by WisdomTree Commodity Securities Limited (the "Issuer"). The Issuer is regulated by the Jersey Financial Services Commission. Investors should read the prospectus of the Issuer before investing and should refer to the section of the prospectus entitled »Risk Factors¼ for further details of risks associated with an investment in the securities oered by the Issuer.

Securities issued by the Issuer are direct, limited recourse obligations of the relevant Issuer alone and are not obligations of or guaranteed by Citigroup Global Markets Limited (“CGML”), Citigroup Global Markets Holdings Inc. (“CGMH”), Merrill Lynch International ("MLI"), Bank of America Corporation ("BAC") or any of their ailiates. Each of CGML, CGMH, MLI and BAC disclaim all and any liability whether arising in tort, contract or otherwise which they might have in respect of this document or its contents otherwise arising in connection herewith. For Investors in Switzerland: This document constitutes an advertisement of the financial product(s) mentioned herein. In Switzerland, this communication is only targeted at Qualified Investors. The prospectus (in English only) and the key investor information documents (KID) (in German, French and Italian) are available from WisdomTree¼s website: https://www.wisdomtree.eu/en-ch/resource-library/prospectus-and-regulatory-reports Monaco This communication is only intended for duly registered banks and/or licensed portfolio management companies in Monaco. This communication must not be sent to the public in Monaco.