

War Premium Fades, Fertilizer Risk Persists, and Biological Inputs Move Mainstream

Global Agricultural Developments

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Grain markets pulled back sharply after the Iran ceasefire, but fertilizer logistics remain strained from the Strait of Hormuz to Brazil. The brief also highlights measurable gains from Brazilian biologicals, low-carbon grain incentives, and key regional livestock, trade, and policy shifts.

Market Movers

- **Global / U.S. grains:** Iran ceasefire headlines removed a large chunk of war premium. May WTI crude fell **19.4%** from the prior close to the overnight low, and grains repriced lower: May corn settled at **\$4.45³/₄**, May soybeans at **\$11.59¹/₂**, Chicago wheat at **\$5.80¹/₂**, Kansas City wheat at **\$5.91³/₄**, and spring wheat at **\$6.28¹/₄**. Wheat was hit hardest because the ceasefire coincided with a wetter forecast for winter wheat areas. [1, 2]
- **Soybeans / China:** Soybeans recovered better than corn and wheat, with analysts tying part of that resilience to hopes that China's role in the ceasefire could reopen U.S.-China talks and soybean buying. That support is being offset by China's feed reform: one Brazilian market interview said swine rations could use **30% less soybean** by **2030**, while another source said fermented feed has risen to about **8%** of industrial feed use and could reach **15%** by 2030, potentially trimming soybean imports by as much as **6.3%** from last year's level. Technically, **\$11.58** is being watched as a key soybean support zone. [2, 3, 4, 1]
- **Wheat / Black Sea:** Russia's wheat crop is now projected at **88.7 MMT**, up from **86.5 MMT**, helped by better yields and more planted

area. With Russia accounting for **19.5%** of global wheat exports and Argus rating crop conditions at **3.4/5**, the larger crop adds another bearish input to a market already losing war premium. [1]

Innovation Spotlight

- **Brazil — soybean biological nitrogen fixation:** Embrapa's soybean package combines *Bradyrhizobium* with co-inoculation using *Azospirillum brasilense*. The technology, launched in **2014** after more than **10 years** of research, is now used on about **35%** of Brazil's soybean area and has been cited as enabling yields up to **6,000 kg/ha** without synthetic nitrogen fertilizer. Reported gains include stronger root growth, better phosphorus and potassium use efficiency, more drought tolerance, roughly **R\$150 billion/year** in savings, and **230-260 million tons of CO₂e** avoided per crop, while reducing dependence on nitrogen fertilizer that Brazil imports at an **85%** rate. [5]



Mariangela Hungria: a cientista brasileira que economiza bilhões no agro e mudou a produção mundial (7:37)

- **Brazil — scaling biologicals beyond large farms:** Brazil was described as the global leader in biological use, but biologicals still represent only about **10%** of chemical use, with available technologies seen as capable of lifting that share toward **40-50%**. At Tecnoshow Comigo 2026, suppliers highlighted microbial products that optimize phosphate fertilization and can replace chemical fungicides and insecticides. Embrapa also said access remains skewed toward large-volume crops and is testing a

cooperative biofactory model with Copavel in Paraná to reach small and medium growers. [5, 6]

- **U.S. — low-carbon grain incentives under 45Z:** Discussants described **45Z** as a tax credit paid to fuel producers, not directly to farmers, but said lower-carbon-intensity grain systems could still return roughly **\$10-20/acre** through supply-chain payments. Practices cited as favorable for carbon-intensity scores included **no-till or strip-till**, **manure** in place of commercial fertilizer, **split nutrient applications**, and **variable-rate fertilizer**, with 2025-2027 crop data trackable through farm software. [7]

Regional Developments

- **Brazil — protein exports stayed resilient, but concentration risk remains:** Q1 2026 exports of beef, pork, and poultry rose **10%** to **2.38 million tons**, led by beef (**+20%** to **700,000 tons**), pork (**+15%** to **330,000 tons**), and poultry (**+5%** to **1.35 million tons**). Exporters rerouted cargo through alternatives such as Suez feeders, the Strait of Magellan, and Saudi trucking, with some of the extra logistics cost shared with importers. The main risk is concentration: **68%** of Brazil's Q1 beef exports went to four countries, and China's **1.1 million-ton** quota carries a **12%** tariff that rises to **55%** above the quota. [8, 9, 10]
- **Paraguay — pork capacity is expanding:** Paraguay Pork plans to double sow numbers from **2,500** to **5,000** by end-2026 on the same site. The business linked sector growth to Taiwan's market opening, additional slaughter capacity, and a planned **US\$50 million** factory in Villeta, with export markets now including **Taiwan** and **Russia**. [11]
- **Brazil / Mato Grosso — biomass sourcing is now an export issue:** Canal Rural sources said a 2022 Mato Grosso rule allowing native-forest wood from authorized clearing to be used as industrial biomass conflicts with the Forest Code, which requires large biomass users consuming more than **24,000 m³/year** to source from planted forests or management plans. The stakes are commercial as well as environmental: export buyers linked to the EU and U.S. may reject inputs tied to deforestation, even when legal. The same discussion pointed to **3.8 million hectares** of degraded land in Mato Grosso that could support planted alternatives. [12]
- **Brazil — financing and biofuel policy are shifting together:** Rural delinquency reached a record **7.4%** in February, and producer groups are pushing a debt-renegotiation bill they want advanced before the next crop cycle. At the same time, the energy ministry said Brazil will raise the ethanol blend in gasoline from **30%** to **32%** in the first half of 2026. [13]

Best Practices

- **Use soil holding capacity to decide nitrogen timing:** Ag PhD's rule of thumb is to multiply **cation exchange capacity (CEC)** by **10** to estimate roughly how much nitrogen the soil can hold at one time. A full early-spring nitrogen application fits **heavy soils, lower-rainfall areas,** and **moderate N demand**; **split applications** fit **light soils, higher-rainfall regions,** and **high-N-demand crops.** [14]
- **For soybean systems under nitrogen pressure, use biological stacking where it is validated:** The Brazilian co-inoculation model pairs nitrogen-fixing bacteria with root-growth-promoting bacteria. The practical benefits reported were stronger rooting, better phosphorus and potassium uptake, and more drought tolerance, making it especially relevant when imported nitrogen is expensive or uncertain. [5]
- **Build low-carbon grain programs around field practices that can be measured:** The stack most consistently cited for stronger carbon-intensity scores was **no-till/strip-till, manure, split nutrient applications,** and **variable-rate fertilizer.** In current 45Z discussions, those are the practices most often linked to potential on-farm payments through fuel supply chains. [7]
- **For livestock expansion, match capital with partner strengths instead of forcing full ownership:** Oklahoma cattle operators described partnership structures as a practical way to scale: move small sets of cows to partners who have **grass, hay, or labor,** pay based on **per-head-per-day** operating cost, and begin only with a clear buyer and business plan. That discipline matters in a market where bred cows are around **\$5,000** and weaned calves **\$2,500-\$3,000.** [15]

Input Markets

- **Global nitrogen remains the main input risk:** Angie Setzer summarized that **one-third** of globally traded fertilizer moves through the Strait of Hormuz, only **21** fertilizer tankers had crossed since **Feb. 28,** and U.S. Gulf urea had jumped **35%** to above **\$800/ton.** Even under a ceasefire, more than **1,000 vessels** are backlogged, insurance is up **300%,** and chemical plants take weeks to recommission. [16]
- **Hormuz is not back to normal:** Canal Rural added that more than **200 ships** were inside the strait but only **62-63** were actively moving, with oil and gas vessels getting priority. Fertilizer cargo remains exposed to freight and insurance pressure, and QatarEnergy has halted urea production under force majeure. [17, 16]
- **Brazil's nitrogen market is exposed to Russia and China at the same time:** Brazil imported **1.2 million tons** of ammonium nitrate in 2025, nearly all from Russia, so a one-month Russian suspension would

remove about **100,000 tons** from the market. China is also directing urea to its domestic spring market until **August**. Brazilian analysts said this does not necessarily create outright shortage if Russian exports resume next month, but it does keep **2026** production costs and fertilizer prices elevated because gas, freight, fuel, and logistics are all tighter. [18]

- **Bioinputs are moving from niche to budget line:** Brazil still depends on imports for about **86%** of fertilizer use, but bioinputs were described as already present on roughly **30%** of the country's fields. Market projections put **bio-defensives** at **25%** of defensives spending by **2029-2030**, up from **10%** today. [13, 6]
- **Feed formulation is becoming a demand variable:** Fermented feed in China was described as a rising share of industrial feed use, but market sources also flagged open questions around **hog health, growth performance, and meat quality** versus soybean-based diets. [1]

Forward Outlook

- **The next immediate trigger is the April USDA report:** Market Minute's review of the last decade suggests the release has usually been a modest mover. Corn averaged about **4 cents** after the report and exceeded **10 cents** only once; soybeans averaged **11 cents**, or **7 cents** excluding the 2022 war year. [19]
- **The market is shifting from geopolitics back toward weather and acreage:** U.S. planting has started, but Northern Plains snow and moisture point to a slower start and could shift acres toward later crops. Traders are watching **\$4.45-\$4.50** in corn and **\$11.58** in soybeans as important technical markers. [20, 3, 21, 22, 4]
- **Brazilian seasonal planning remains very regional:** Current forecasts do not point to strong early frost in Paraná's Catanduvas, but temperatures below **10°C** remain a germination risk for safrinha corn in Paraná and southern Mato Grosso do Sul. In Bahia's Sealba zone, growers were urged to use the next **15 days** and roughly **70 mm** of rain for planting before agricultural rains thin sharply in May and June. [23]
- **Confidence is firmer than the cost backdrop:** The Purdue/CME Ag Economy Barometer rose to **127** in March, and **65%** of respondents said the U.S. is headed in the right direction, even as input costs remained a stated concern. In Brazil, rising delinquency is pushing restructuring efforts before the next planting cycle. [1, 24, 13]

"Farmers used to manage costs; now they manage risks" [25]

That line matches the present backdrop in livestock as well: rising costs are being described as an unpredictable risk problem, not a single-price problem. [25]

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