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# GLOBAL COMMODITY ANALYTCS & CONSULTING LLC

## SUMMER FUEL & FERTILIZER REPORT

### 5.1.26

**Mike Zuzolo,  
Founder**

## KEY RESEARCH DATA POINTS:

- Oil production, trade, and refining in the Middle East– >30% of world crude production, >75% of standby crude oil production capacity, ~11% of refining capacity; More than 40% of global crude oil exports and more than 20% of oil product exports depart from countries located in the broader Middle East region. (CSR R45281)
- Strait of Hormuz–During calendar year 2024, ~20 million barrels per day of oil (crude oil and petroleum products) moved through the Strait, representing ~27% of global maritime oil trade and ~20% of world petroleum liquids consumption in 2024. (CSR R45281)
- As of February 2026, the IEA estimates available spare crude oil production capacity of ~4.4 million barrels per day. However, more than 75% of spare production capacity is located in Middle East countries that export crude oil through the Strait. (CSR R45281)
- IEA government-controlled stocks were more than 1.2 billion barrels at the end of the fourth quarter of 2025. (CSR R45281)
- Before U.S. and Israeli military operations began against Iran on February 28, 2026, the average number of ships from various countries transiting through the Strait of Hormuz was ~130 each day. As of April 7, 2026, only a handful of ships have risked the transit each day. (CSR 48903)
- 4/29 weekly U.S. crude oil exports reached a record-high of 6+ Mln. Bbls/Day, w/overall oil & fuel exports topping 14 Mln. Bbls/Day.

## KEY RESEARCH ANALYSIS-FORECASTS UTILIZED:

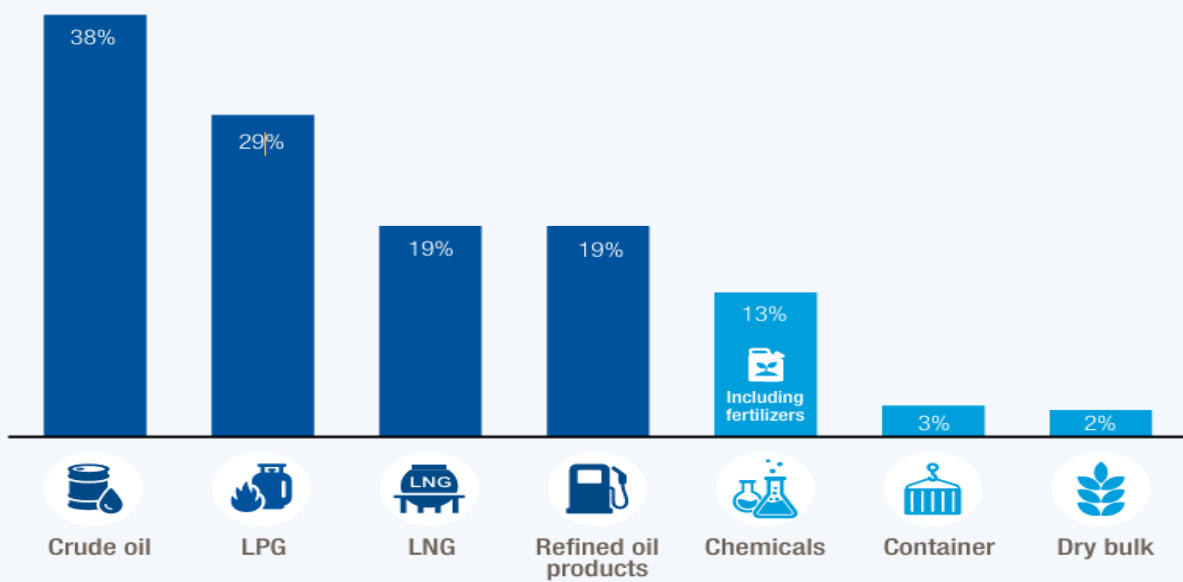
- By estimates I've researched, the world demand for both crude/refined products, as well as LNG, needs to be cut 3-5%; this is the amount of supply that's not able to be replaced/substituted by other areas of the world. (Economist/2)
- Citigroup–Mid-May: lost crude & product inventory ~1.3 Bln. Bbls. By mid-June, lost inventory ~1.7 Bln. Bbls. w/WTI price forecast of \$130/Bbl. (Bloomberg)
- SPI–If Iran production shut for >3 Wks., permanent damage likely: “endgame” for Iran's oil sector. (RFE)
- CRU–Mid-East Urea Output -55-60%, halted. Region is ~45% global Urea, ~44% Sulfur, ~27% Anhydrous. (Bloomberg/LSEG)
- WTI Crude Price Support +\$15/Bbl. Every 30 Days Conflict continues is assumed: upside potential in 30-60 day window = 2008 high area \$147/Bbl.
- Compared w/Russia's 2022 Invasion: World Wheat S/U Nearly The Same, Corn S/U almost 4% less.
- HRW Wheat Drought + \$125-\$140/Bbl. WTI = Possible \$7.00-\$7.70/Bu. SRW Futures Potential w/U.S. '26/27 Stocks <700 Mln. Bu.



Commodity Segment	Mideast Gulf Share of Global Trade	Current Status
Crude oil	16–18 million bbl/day	Severely disrupted
LNG	~20% of seaborne supply	Ras Laffan offline
Fertilisers (sulphur, urea)	16–18% of exports	Plants shutting down
Grains/oilseeds (imports)	25–30 million tonnes/year	Trade stopped

CSR/Kpler

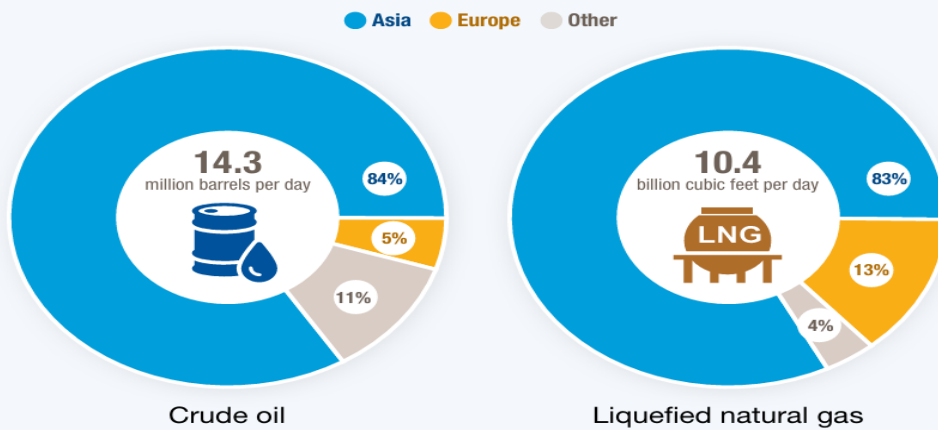
Share of global seaborne trade volume passing through the Strait of Hormuz, one week prior to the conflict, per cent



Source: UN Trade and Development, based on data provided by Clarksons Research 2026. CSR/UNCTAD

Notes: In 2024, total oil transported through the Strait was around 20 million barrels per day (bpd), or the equivalent of 25 per cent of global seaborne oil trade. Crude oil and condensate account for 14 million bpd and petroleum products for 6 million bpd. LPG: Liquefied Petroleum Gas, LNG: Liquefied Natural Gas, dry bulk includes grains.

Volume of crude oil and liquefied natural gas (LNG) transported through Strait of Hormuz in 2024 per day, by destination



Source: UN Trade and Development, based on U.S. Energy Information Administration (2025). CSR/UNCTAD

**SUMMARY:** As the Mid-East Oil Conflict continues toward its 2<sup>nd</sup> full month, U.S. exports of crude oil have hit record-highs, as Asia & Europe seek-out alternative sources. Similarly, as carbon-related energy prices go higher, biofuel-related energy sources are being put into greater use as a substitute source. History continues to be made. In this light, focusing upon the next 30-60 days, this report attempts to provide analysis on *THE* fundamental question: In either fuel or fertilizer, can the supply-demand factors improve enough to cause prices to drop back?

Unfortunately, this research suggests that a substantial price correction in the cash energy markets is unlikely, given that the best (possibly last) chance in the timeframe of this analysis was with an extended ceasefire. But the U.S. blockade of the Strait of Hormuz is likely to end in: either the collapse of Iran's oil production due to wells being shut-in from storage supplies running-out, and/or a resumption of U.S. military hard-power being utilized again. If this analysis is correct, then I'd expect WTI Crude Futures to be led higher by London-Brent toward its 2008 high of \$147.27. A move of this magnitude is likely to push retail unleaded and diesel prices through their record highs of 2022: \$5.016 & \$5.816 respectively.

As this report will assess in detail, the significant draw-down in U.S. supplies of refined products—coupled with the potential demand-destruction (and economic damage) likely to be done in key Asian countries—create an environment where continued loss of supplies of energies & fertilizers from the Persian Gulf slant the price direction for energy futures to the upside. In fact, I am wondering how we've been able to hold prices back to date; this was likely due to large excess supplies being utilized and readily available. But based upon the research for this report, those easy to grab supplies are nearly exhausted. **In my view, if an int'l coalition to police the Strait of Hormuz isn't created now, and conflict erupts again, 2008 highs are likely.**

For the agriculture industry, as it relates to sharply diminished fertilizer supplies, the geo-political blocs of the "New East/New West" are likely to be seen playing a big role for those countries who are able to get enough fertilizer vs. those who cannot. For example, I expect that Russia & China (New East leaders w/India) will supply their allies such as Brazil & Argentina for their crop needs. I'll be watching these countries & India closely through the summer. As for The EU & the US (New West leaders w/Japan)—as well as the Australia—supply shortages are likely to continue through summer in my view. Offsetting this, however, is my expectation that nitrogen-intensive commodities like wheat & corn are likely to see price support due to trade fears increasing of supply shortfalls due to both application and planted acres of these crops during this next 30-60 days. Diesel & fuel prices are also being acknowledged as causes of production problems. Generally speaking, hand-to-mouth selling of crops & hand-to-mouth buying of fertilizer is recommended in this report; along with the goal of hedging for profit & defending hedges at key seasonal times...with a clear & well-defined exit strategy recommended. So far, we're accomplishing this in '26 soybeans & have started in '26 wheat. For Dec.'26 corn, I'm adding 15-20% to a \$4.00 cost of production as my goal to reach for at least 50% of hedges, or \$4.80/bu. This puts my futures goal at ~\$5.20/Bu; audacious, but worth striving-for in the next 60 days.

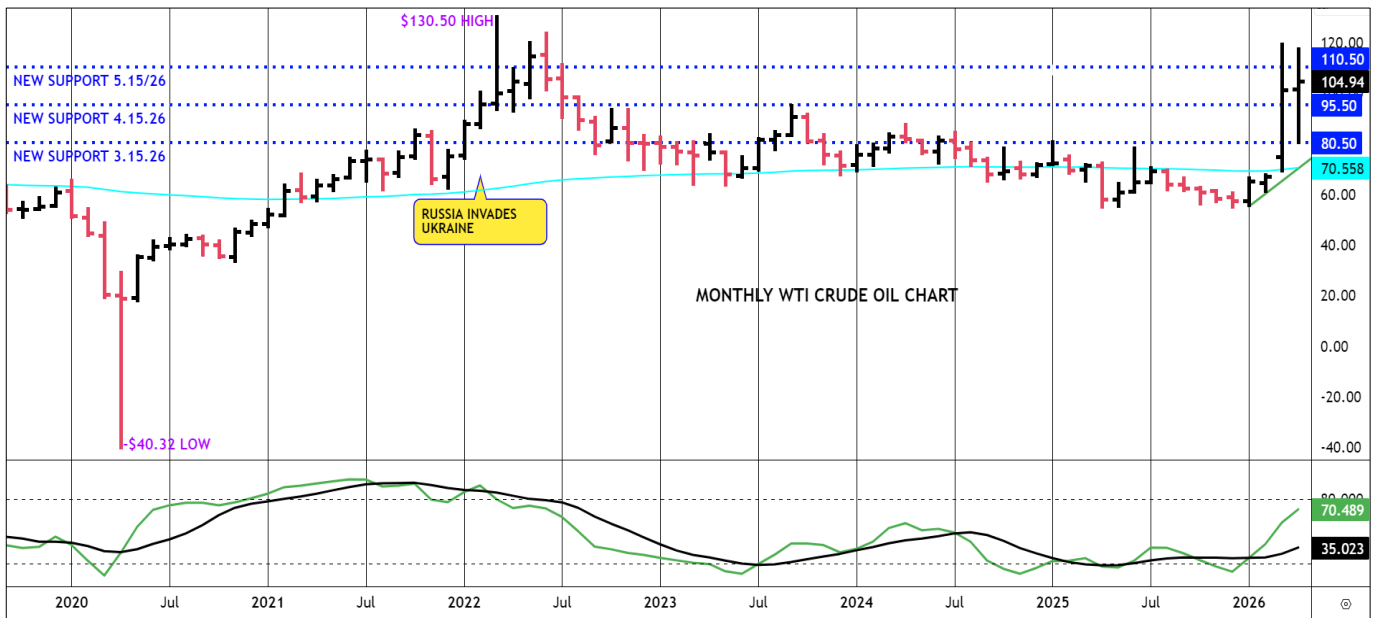
## It's Not Difficult To See \$5.20 Dec.'26 Corn Futures If WTI Hits \$140+/Bbl.

On the final trading day of April, Spot North Sea Brent Crude Oil surged past its prior high since the start of the U.S.-Iran Conflict, to a new all-time high of \$148.27—eclipsing even the 2008 high of \$145.12; see the chart directly below, which shows the North Sea Brent (bars) vs. the WTI Cushing, OK Spot price. The words of the head of the IEA that the world is “*facing the greatest energy crisis in history*” had real, tangible meaning. Yet, for the crude oil futures market—and for that matter the commodity futures trade in general, it seems to me that the historic loss of energy supplies hasn’t gotten “real” enough yet. My expectation is that the Month of May could be the month when the rest of the market understands just how tight supplies are becoming, and how much need there is for immediate demand destruction.

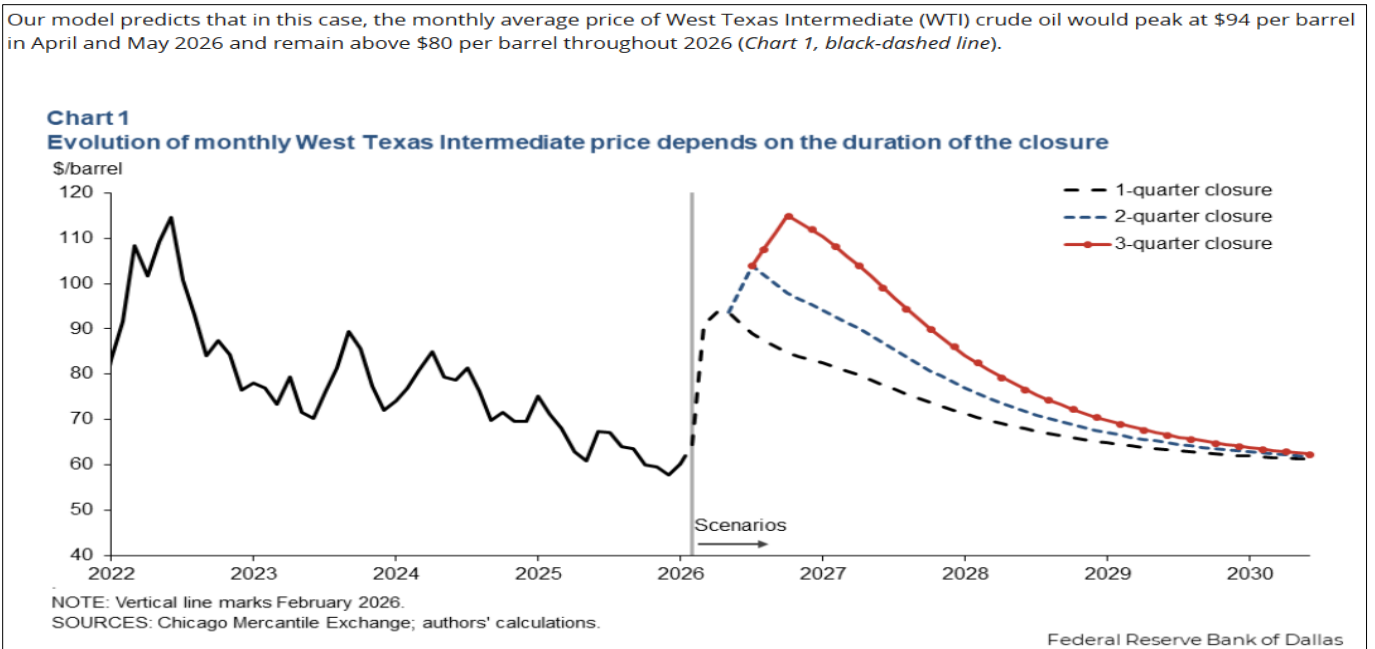


Therefore, if we don’t see an immediate change in the international order as it relates to policing the Strait of Hormuz, my expectations are that the crude futures market is likely to play “catch-up” with the cash markets, and that the WTI Futures in NY could test—and go through—its 2022 highs if the WTI cash price in Cushing, OK does so first. Looking at the WTI Crude chart at the top of the next page, we see in the top chart that this high was \$130.50—that would be ~\$20/Bbl. higher than the April 30<sup>th</sup> high of \$110.93.

And just as important to this report and the prices for energies & fertilizers for agriculture, recall that my outlook has been for every 30 days this conflict continues, my expectation is that the support for WTI Crude Futures increases by ~\$15/Bbl. I stand by this analysis: if it’s correct, then, by May 15<sup>th</sup>, the new lead-month WTI support could be \$110.50/Bbl. And supporting



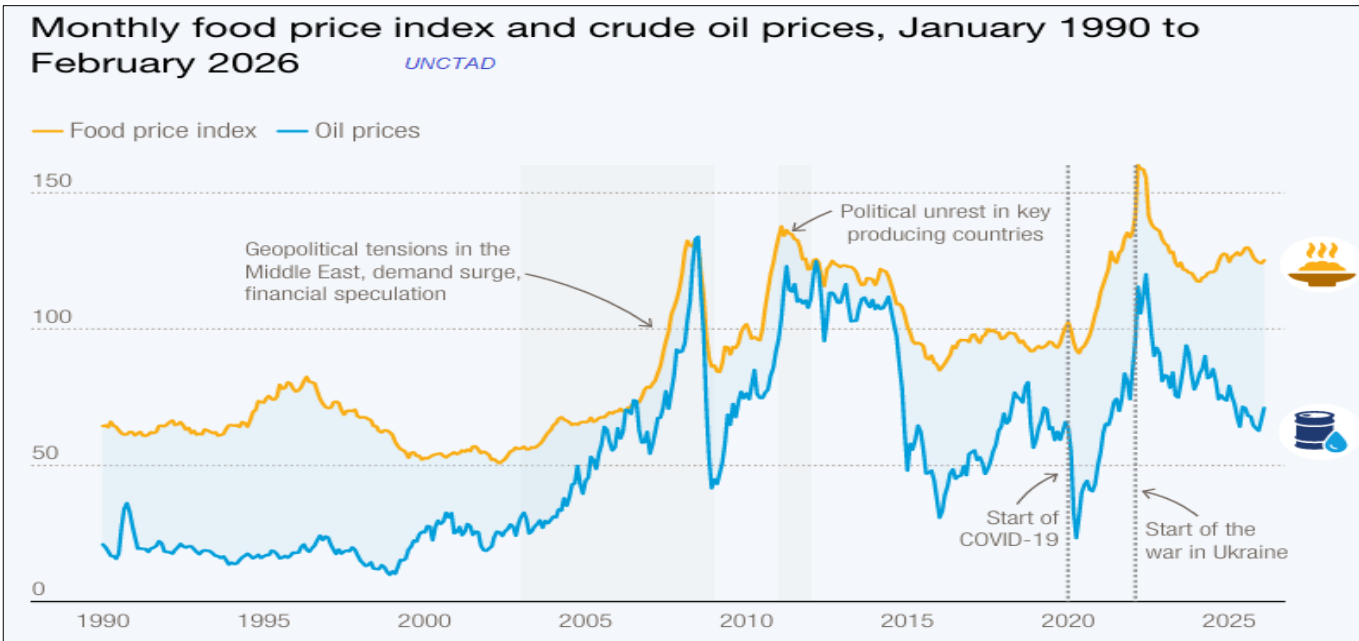
my analysis, the Dallas FED came out a couple weeks ago with their forecast for WTI based upon how long the Strait of Hormuz remained closed. You can see their analysis in the chart directly below; note that if the Strait remains closed for 3 quarters, the WTI price is forecasted to continue to move higher into 2027. This represents a strong indication that alternate sources of supply cannot offset the losses from the Persian Gulf. So, that means to me that it's up to prices going high enough for long enough to ration demand...that is, unless or until we see a repeat of 2008's Great Recession/Financial Crisis.



### History Suggests That If Energy Prices Continue To Move Higher, Food Prices Are Likely To Follow: Crude & Wheat Are Still My Leaders

The UNCTAD Food-Crude Chart below is a key chart in the analysis and conclusions in this report; it shows that, since 1990, sharply rising energy almost always

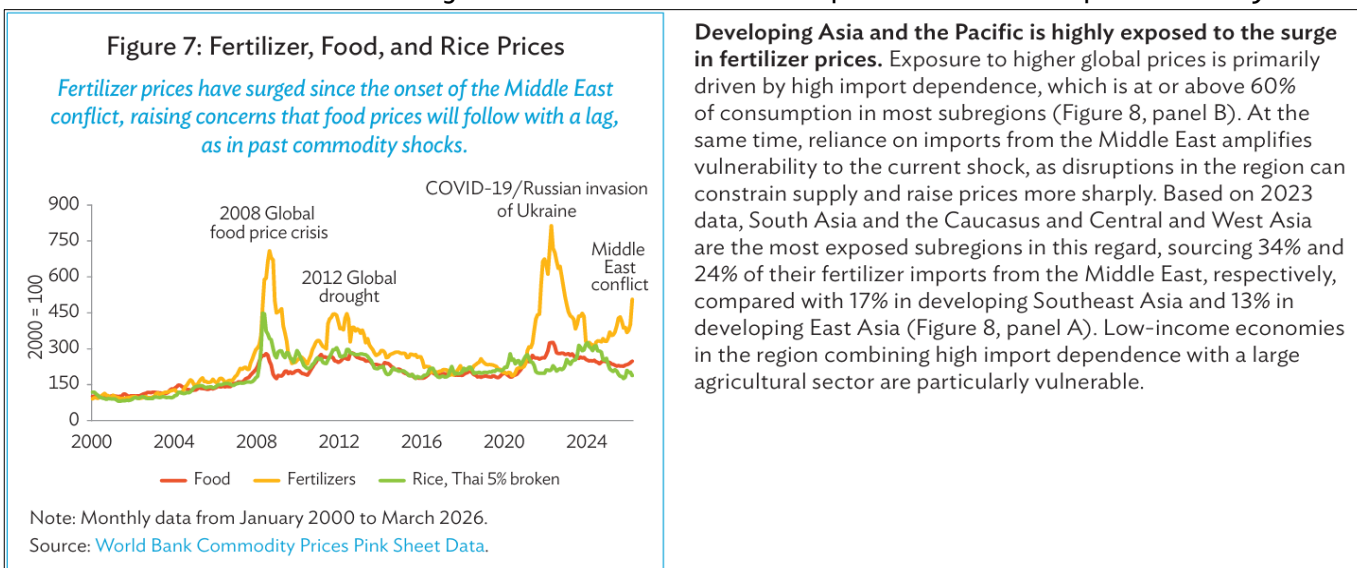
leads to rising food prices. Note how this chart shows the already elevated Food Price Index as the Crude price is just now starting to rise; I think this helps explain in part why the market hasn't reacted more favorably in the grain complex, and helps especially to understand the difference between now and back in 2022 when Russia invaded Ukraine (the Food Price Index was at a much lower level of around 100). In May, however, I expect to see food-related commodities



to move higher if the WTI moves back to and/or past the 2022 highs; the key for the agriculture commodities continues to be whether the US Dollar goes higher—like it's been doing with WTI thanks to bond traders pricing-in higher FED rates if crude keeps “juicing” inflationary pressures—or whether it resumes its lower bias in this next 30-60 days. The cycle chart at the bottom of the last page could be a useful indicator, as it suggests a peak may be near in the 13-year cycle for the US Dollar Index. This cycle has been a useful tool for me since I

started in this business back in 1995. Generally speaking, the lower the US Dollar moves as the WTI moves higher, the more likely I think investment funds will be willing to buy food-related commodities; again, I see it this way because I'm assuming that the US Dollar isn't moving higher because US Treasury yields aren't moving higher and discouraging the investors from risk-assets. In addition to this, I see the higher US Treasury yields as increasing the likelihood of another Great Recession/Financial Crisis: especially given the debt-load countries and consumers alike are managing so poorly. **It's important to note: if the US Dollar rallies with Crude, I think the faultlines in the world financial system would show-up first in Asia, given their reliance upon Middle East energy as well as their U.S. debt.** In fact, I'm wondering if the Japanese Central Bank didn't intervene in support of the Japanese Yen on the last day of April, given that it had moved close to its ~162.00 2024 lows earlier in the session (the 2024 low against the USD was its weakest since 1986) before rallying back to ~155.50 by the close on the day. We can see in the World Bank's chart & analysis directly below that they too see Asia as "highly exposed" to not just energy prices, but also fertilizer prices. To me, Asia is the all-around "canary in the coalmine" when it comes to this historic event and how commodities in general handle it.

The Asian Dev. Bank just released a fresh update related specifically to



the prolonged Middle East Conflict, and lowered their Asia-Pacific GDP Growth from 5.1% to 4.7%, while at the same time raising the region's inflation for this year from 3.6% to 5.2%; note that this inverse relationship is precisely what I'm talking-about as it pertains to increased pressures on the financial stability of the world economy. And this doesn't include the negative growth impacts if the major central banks begin raising rates in order to try to contain inflation.

### **While Demand Destruction In Crude & Refined Products Is Firmly Underway, It's Much Less So For Fertilizer Demand To-Date In My View**

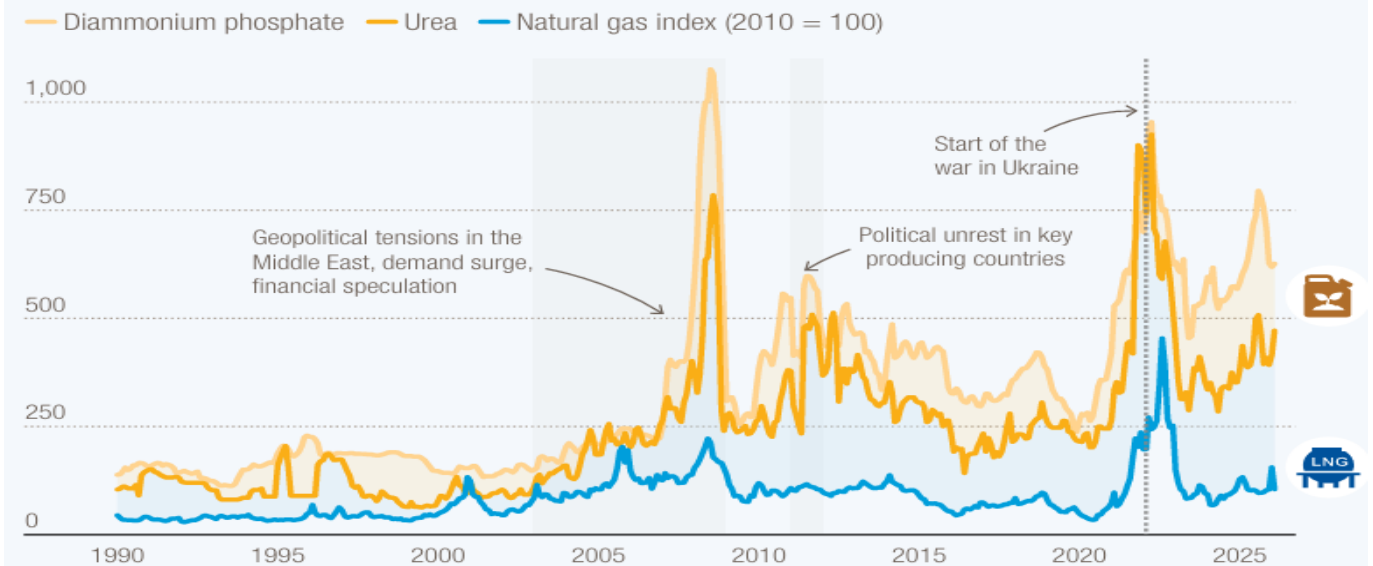
As I wrote at the beginning of this report, a 3-5% cut in demand for both crude/refined products, as well as natural gas/downstream products is needed since alternative supplies can't be found for this amount (More would be needed if Iran went completely offline) My and other estimates I've found would suggest

we've probably rationed about 1.5 Mln. Bbls/Day of demand, or half of what we need to ration of the 3-5%. But when it comes to natural gas and fertilizers especially, given the higher concentration which the Persian Gulf is responsible, the analysis for this report would suggest that decisions are just now being made. For instance, in Australia CBA suggests one-third of Australia's income could be lost; depending upon the severity, they estimate a drop of 9-30% for Australia's wheat, barley, and canola crops; in some areas, about half their



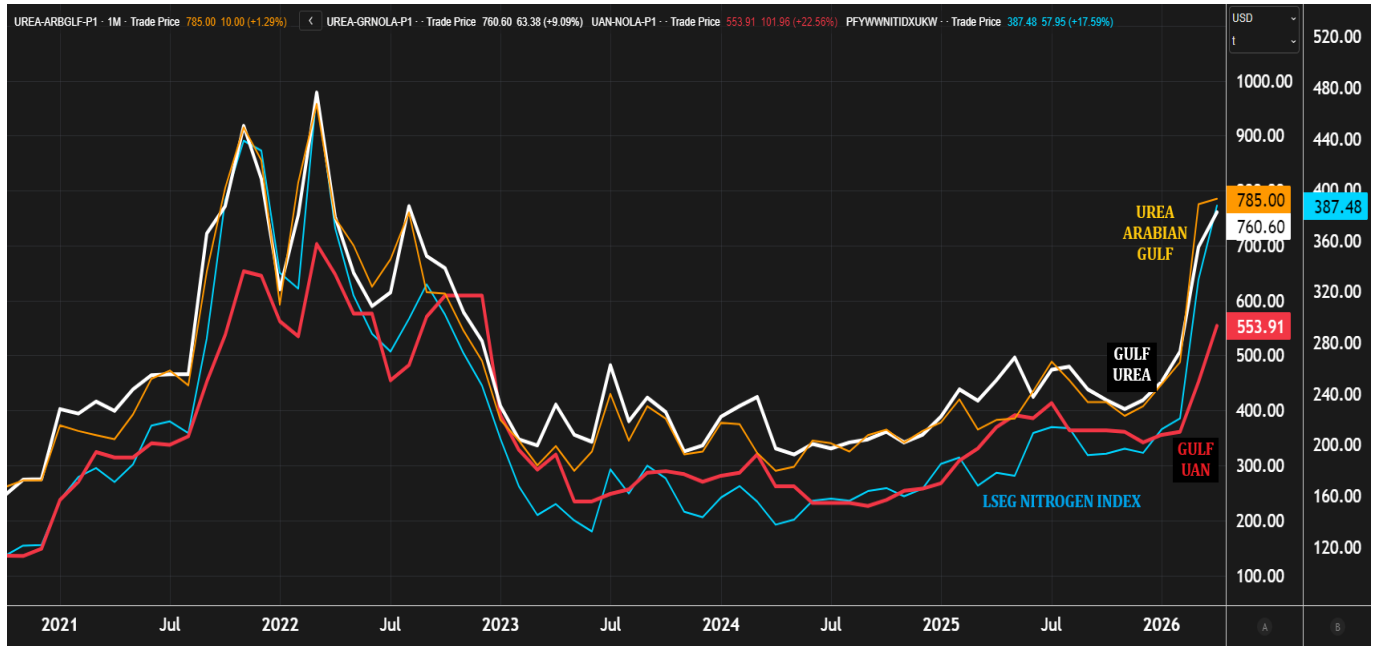
Monthly natural gas price index and prices of selected nitrogenous fertilizers, January 1990 to February 2026

UNCTAD



yield comes from artificial fertilizers. Western Australia forecast put the loss of wheat acres at around 14% this upcoming year; and France is looking at potentially losing 5%+ of their corn acreage this spring by some estimates I've seen. **In these parts of the world, farmers are worse-off than in 2022 when it comes to fertilizer price/availability.** For us here in the U.S., I think being long in the summer NatGas contracts could be one alternative to explore: not just because about 70% of fertilizer costs is from NatGas, but because U.S.

Future is so much cheaper than Europe that the arbitrage could work in favor of the U.S. We're already starting to see more tankers come here for LPG; why wouldn't they for LNG? Micro-Futures are available for these contracts, and I've already recommended to Micro-Investors to be long July Futures at this time.

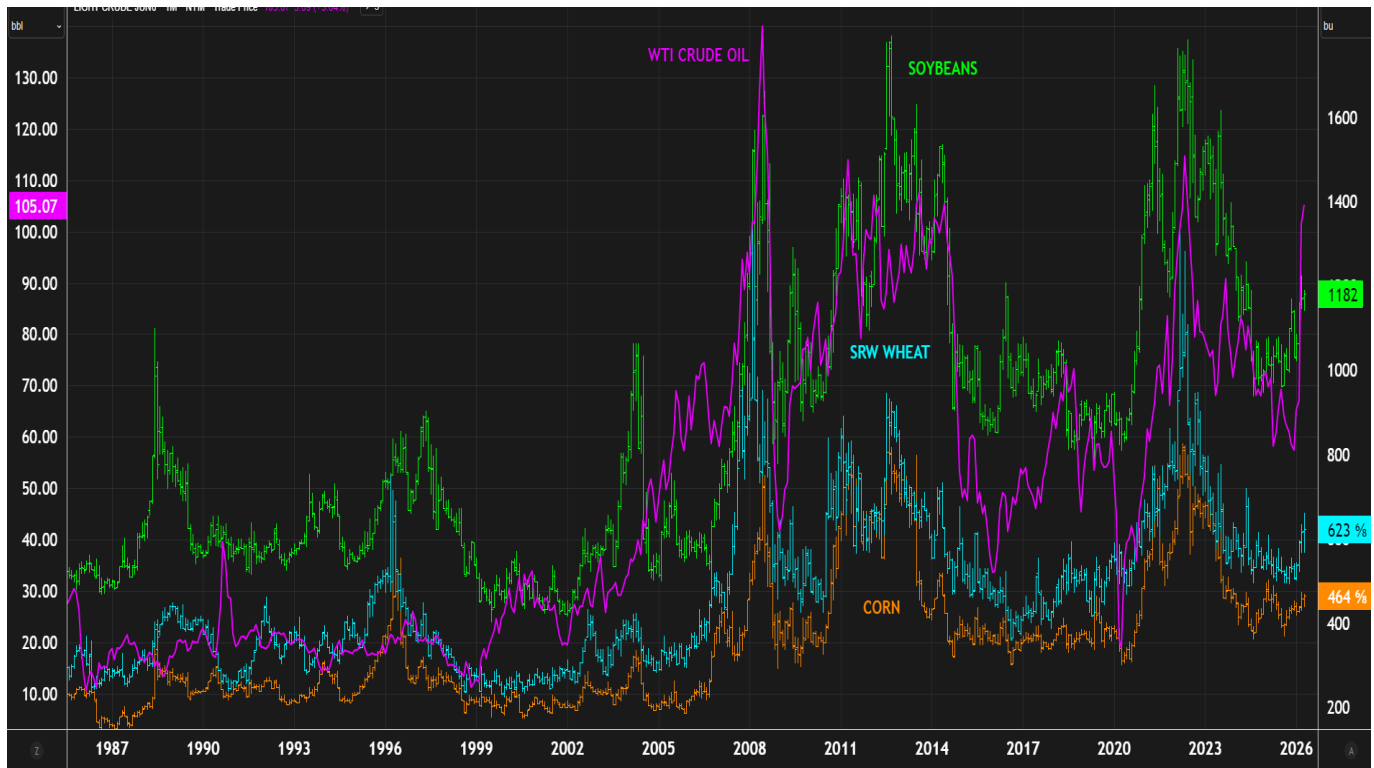


### While Locking-In Summer Diesel Fuel Needs, I'm Not Recommending Any Further Out As I Want To See If Bio-Diesel Helps Our Domestic Market As We Approach Late-Summer

The research I did for this report would suggest two things: global LPG prices are likely to dictate if any other countries shift to more biofuels; it's true, Indonesia has stopped regular diesel imports in favor of a B50 biodiesel blend. But many countries, like India and Indonesia, look-to propane for their major fuel. Second, the ASA suggests the U.S. has the capacity to meet the EPA RFS requirements; as of Jan. 1, EIA data suggests a total of 6.85 Bln. Gals. Of



“operable capacity”. This would be enough for 2026 theoretically; but actual 2025 combined biodiesel & renewable diesel product equaled 2.9 Bln. Gals. This disparity would go a long way in cooling prices in my view if it can be made up.



**Final Thoughts—Row-Crops: It’s Seems More & Clearer That Soyoil Expectations Not Exports/Acres/SA Supplies Keep Soybeans Underpinned.**

(2) While this seems apparent, it seems equally apparent to me that U.S. corn export demand continues to further outpace USDA’s forecast for ‘25/26; in addition, I see U.S. soy acres being added in several states at the expense of corn, based upon client conversations from IL to KS. Some clients in OH haven’t turned a wheel yet. (3) I will be watching Washington closely, as there is a House bill to “kill” the EPA’s RVO’s. (4) Developments & price-action in May is key to this analysis. (5) **We need to remember this is a historic supply-driven rally, energy & weather-led.** END

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