



PERSPECTIVES ON THE IMPACT OF GLOBAL CONFLICT ON FARMLAND RETURNS



An oil pumpjack is visible in the background, partially enclosed by a chain-link fence. The scene is set in a vast, green agricultural field under a sky with soft, golden light from a low sun, suggesting either dawn or dusk. The pumpjack is a complex mechanical structure with a large, curved, orange-colored counterweight and a blue frame. The fence has several warning signs, including a biohazard symbol and a 'no open flames' sign. The overall atmosphere is one of industrial activity in a rural, agricultural setting.

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The objective of this discussion is to evaluate how global crude oil prices, and the underpinning geopolitical conflicts, have influenced farmland's returns historically. This discussion focuses on the following direct and secondary impacts of oil price spikes on farmland returns.

- Agricultural commodity prices
- Agricultural inputs costs
- Inflation
- Public equity drawdowns

The ongoing conflict in Iran has led to elevated uncertainty in global capital markets. Capital markets have been volatile and headline-driven since the U.S.-Israeli strikes on Iran began on February 28, 2026. The uncertainty remains centered on the risk of prolonged conflict, especially Strait of Hormuz disruptions, versus hopes for quick de-escalation. There were sharp initial selloffs in public markets, followed by partial recoveries on any ceasefire or diplomatic solution signals. Despite

market uncertainty, the reaction has been relatively muted compared to historical geopolitical shocks, for example the S&P 500 was down only ~3-7% in the first month despite oil spikes from ~\$70/barrel up to ~\$120/barrel. Prolonged uncertainty will likely continue to trigger corrections. For example, hedge funds saw their worst monthly drawdowns in over four years in March due to forced de-risking across portfolios. Market winners have included energy and defense stocks surging on higher oil prices and military spending expectations. Market losers have included airlines, cruise lines, hotels, and other oil-sensitive equities. Tech and growth stocks have also been hit harder from risk reallocation.

In short, markets are not in full panic mode but are pricing elevated uncertainty. Energy and defense equities are outperforming while traditional safe havens are behaving atypically due to inflation concerns, and other equities are swinging on diplomatic news. Oil remains the primary transmission mechanism to broader assets.

REVIEW OF ANALYSTS' EXPECTATION FOR OIL MARKETS

The consensus view of several analysts, including Goldman Sachs, J.P. Morgan, Rystad Energy, Macquarie, BloombergNEF, point to sustained high prices with potential upside risk:

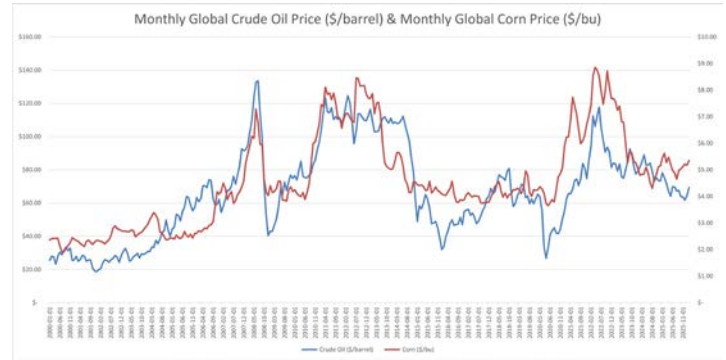
Scenario	Expected Brent Price Range	Key Assumptions
Short resolution (Hormuz reopens by mid-April)	\$80-100/bbl (partial pullback)	Ceasefire or diplomatic deal; SPR releases continue
Prolonged conflict (disruption through Q2-Q3 2026)	\$110-150+/bbl (or higher)	Ongoing blockade + infrastructure damage; "sky is the limit" per some analysts
Worst-case (extended war, wider Gulf involvement)	\$150-200/bbl	Full shutdown persists; attacks on additional Gulf facilities

The following discussion reviews the historical, and prospective, impacts of uncertainty around the current geopolitical environment on farmland returns primarily through the lens of oil prices.

AGRICULTURAL COMMODITY PRICES

Figure 1 charts the monthly global brent crude price and the monthly global corn price from the beginning of 2000 through the end of 2025. Global crude oil and corn prices have exhibited a positive long-term relationship since the mid-2000s, driven primarily by the U.S. ethanol industry and shared production cost factors. However, the link is not one-to-one and can weaken or break during certain periods due to weather, policy changes, supply shocks, or other agricultural fundamentals. The expansion of ethanol production through the later half of the 2000's has increased the positive correlation between global oil and corn prices. Corn prices can decouple due to droughts, large harvest volumes, trade policies, or specific biofuel mandates. Oil often "sets a floor" for corn prices and oil price shocks more reliably affect corn prices than vice versa. Over the period represented in Figure 1, global crude oil prices were above \$100/barrel for 53 months in total. Global corn prices were at least \$6.00/bushel for 38 of those 53 months.

FIGURE 1



FRED reported global crude and corn prices from 2000-2025.

AGRICULTURAL INPUTS COSTS

Oil prices have a strong, direct, and often rapid positive relationship with agricultural input costs, primarily through two channels: fuel (diesel and gasoline) and fertilizer (especially nitrogen-based products like anhydrous ammonia, urea, and UAN). Figure 2 charts the monthly global brent crude price and the monthly nitrogen fertilizer producer price index published by Federal Reserve Bank of St. Louis. Table 1 discusses the relationship between oil prices and corn and soybean production costs.

TABLE 1

Summary of Typical impacts

Input Type	Link to Oil Prices	Typical Magnitude of Impact	Relevance Corn/Soy Production
Diesel/Fuel	Direct (refining from crude)	+\$0.50-\$1.50+/gal on big oil spikes	High (machinery, transport)
Nitrogen Fertilizer	Strong (energy production costs)	10-40%+ price rises in shocks	Very High (delayed impact with farmer's purchasing in advance)
Pesticides/Chemicals	Moderate (petroleum-derived/energy)	Smaller but additive	Medium (delayed impact with farmer's purchasing in advance)
Overall Production Costs	Positive correlation	Energy inputs ~9-10% of total; oil drives large share of increases	Significant margin pressure

Summary of typical impacts of oil prices on key agricultural production costs.

The relationship is bidirectional in influence but asymmetric. Oil strongly drives up input costs; high input costs can support higher crop prices (via reduced supply or inflation hedging) but often create challenges with farmer profitability in the short term.

Reduced farmer profitability can create headwinds for farmland returns, particularly in the current environment where farmers have faced reduced margins and, in many cases, shallow losses over the past two production seasons.

Table 2 applies the assumptions from the typical impacts on agricultural inputs to Iowa State University's published 2026 crop budget for corn-following-corn production. As noted in the analysis in Figure 1, the potential for significant commodity price growth exists from an extended period of conflict and elevated oil prices. An average corn price of \$6.00/bu would increase top line revenue by \$276/acre vs the Table 2 crop budget scenario. This effect would create substantial profits offsetting elevated costs of production.

Key Assumptions

- *Baseline (Pre-conflict, Jan 2026 ISU): N at \$0.53/lb; LP gas (drying) at \$1.54/gal; diesel/machinery fuel at pre-spike levels.*
- *Conflict-Impacted (April 2026 est.): N fertilizer +30% (conservative midpoint from 18–42%+ jumps in anhydrous/urea/UAN); fuel/drying/machinery diesel +35% (Iowa farm diesel now ~\$4.85/gal, up ~30–40%+; energy ties to oil/gas disruptions). Other costs (seed, chemicals, land) unchanged. Corn price: baseline ~\$4.40/bu (ISU-implied market below costs); impacted ~\$4.55–4.60/bu (modest ethanol/oil-linked support, per current futures/cash bids ~\$4.10–4.50 range).*
- *Revenue at 193 bu/acre. Actuals vary by farm, soil, management, and exact purchase timing.*

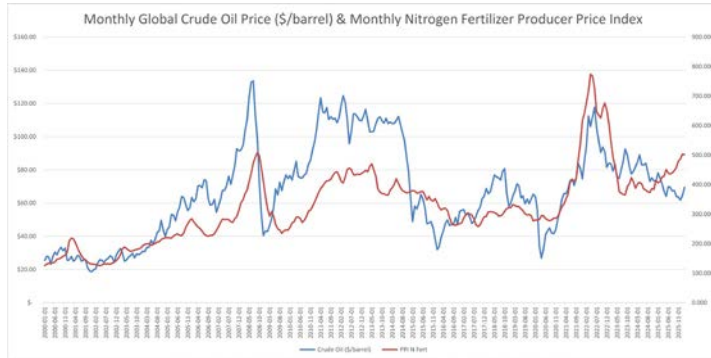
TABLE 2

Per-Acre Budget Comparison

Category	Baseline (ISU Jan 2026)	Conflict-Impacted (Est. Apr 2026)	Change (+/-)	Notes on Impact
Preharvest Machinery	\$71.30	\$78.00	+\$6.70	Higher diesel for tillage/planting
Seed, Misc.	\$127.40	\$128.60	+\$1.20	Increased misc
Nitrogen Fertilizer	\$102.82 (194 lbs @ \$0.53/lb)	\$133.67 (same rate @ ~\$0.69/lb)	+\$30.85	Largest hit (20–40%+ spike in anhydrous/urea)
Phosphate & Potash	\$74.46	\$74.46	\$0	Less energy-tied
Lime, Herbicide, Insecticide	\$84.72	\$84.72	\$0	Minor indirect effects
Crop Insurance	\$17.10	\$17.10	\$0	Based on revenue protection
Interest on Operating Capital	\$21.74	\$23.50	+\$1.76	Higher due to input costs
Harvest Machinery & Haul	\$84.05	\$89.84	+\$5.79	Higher diesel
Grain Drying (LP Gas)	\$45.32	\$61.18	+\$15.86	Energy price surge
Labor (2.8 hrs @ \$20.40/hr)	\$57.12	\$57.12	\$0	Unchanged
Land (Cash Rent Equivalent)	\$274.00	\$274.00	\$0	Slightly lower in ISU vs. prior years
Total Cost per Acre	\$960	\$1,022	+\$62	~6.5% increase overall
Total Cost per Bushel	\$4.97	\$5.30	+\$0.33	Higher breakeven
Revenue (@ \$4.40/bu baseline / \$4.57 bu impacted)	\$849	\$882	+\$33	Modest price support from ethanol/oil link
Return Over Total Costs	-\$111	-\$140	-\$29	Margins worsen

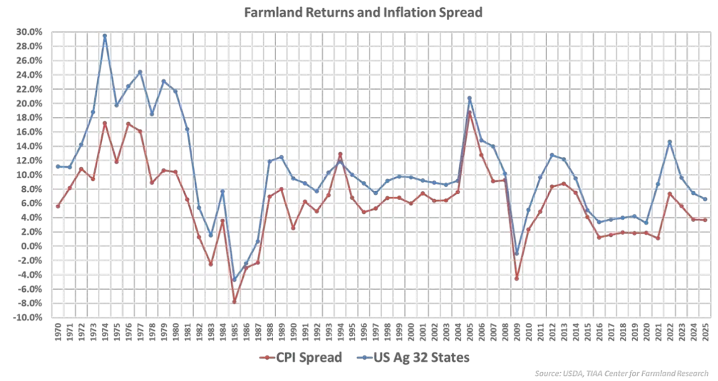
Pro forma impact on a per acre cost of production for corn in Iowa in 2026 using a baseline crop budget published by Iowa State University.

FIGURE 2



FRED reported global crude and nitrogen fertilizer producer price index from 2000-2025.

FIGURE 3



Source: USDA, TIAA Center for Farmland Research

Aggregate U.S. farmland total annual returns and the spread of the return over annual CPI since 1970.

FARMLAND AND INFLATION

The positive correlation between farmland returns and inflation is well documented. Farmland has historically performed as premier real asset inflation hedge for investors. Figure 3 provides aggregate annual farmland returns for the 32 primary agricultural states in the U.S. plotted against the spread of the returns over annual Consumer Price Index (CPI). The correlation is profound and over long duration hold periods (10+ years) farmland returns have generally been between 6%-6.5% above annual CPI levels.

Rising oil prices have a significant and well-documented impact on inflation, primarily by increasing the cost of energy and related inputs, which ripples through the economy. This effect is both direct and visible quickly in headline inflation measures like CPI, and indirect via higher production and transportation costs that can feed into broader prices over time. The relationship is not always one-to-one or permanent—effects often fade if the oil shock is temporary—but sustained high prices amplify the pressure. Historically, a 10% increase in oil prices historically raises headline CPI by roughly 0.2–0.8% with larger effects in energy import dependent periods. Some current forecasts of the March CPI are projecting headline inflation to rise to 3% or higher with forecasts as high as 4.2%. The correlation highlighted in Figure 3 suggests strong potential for a subsequent lift in farmland returns.





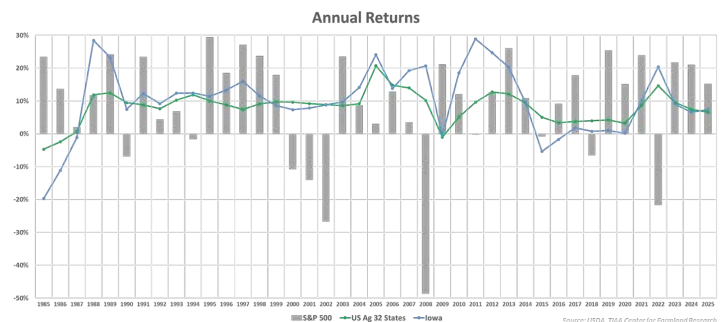
PUBLIC EQUITY MARKETS

U.S. farmland has historically provided a negative correlation with public equity markets. Figure 4 provides a comparison of S&P 500 annual returns and the annual total returns for the U.S. agriculture 32 state aggregation and the annual returns for farmland in the state of Iowa. The direct correlation between public equities and farmland returns is somewhat unstable. Farmland is an attractive hedge against potential public equity drawdowns. Historically farmland returns have typically held or experienced growth during periods of large drawdowns in public equity markets.

Using the S&P 500 as an indicator for broader public equity markets, higher oil prices generally have a mixed but often negative impact on annual returns. The relationship is not fixed—it varies by the cause of the oil move (demand-driven vs. supply shock), economic context, and duration. Correlations have historically ranged from modestly positive to negative, and they tend to turn sharply negative during geopolitical supply disruptions like the current 2026 Iran conflict.

In short, supply-driven oil spikes like the current one typically weigh on the S&P 500 through higher costs, reduced consumer spending, and policy uncertainty, even as energy provides a partial offset. The magnitude depends heavily on duration. A quick resolution (Hormuz reopening) could spark a relief rally while prolonged conflict risks deeper correction or stagflation concerns.

FIGURE 4



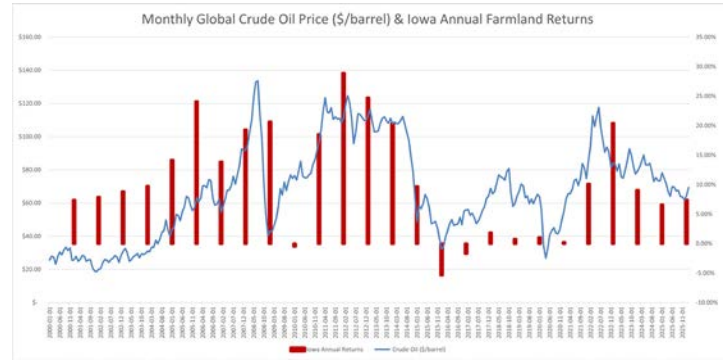
Annual returns of the S&P 500 compared with aggregate U.S. agriculture 32 state annual farmland returns and Iowa annual farmland returns since 1985.

HISTORICAL CONNECTION WITH FARMLAND RETURNS

Evaluating the potential impacts on U.S. farmland returns from elevated oil prices caused by global geopolitical conflict aggregates a complex and variable set of market interactions. The scale and length of oil price spikes will ultimately drive the farmland returns impacts. The critical points of connection remain consistent: 1) will the conflict and its impact on oil prices drive a period of elevated agricultural commodity prices, 2) will agricultural costs of production outpace commodity revenue growth negatively impacting farmer profitability, 3) does the broader economy face elevated structural inflation, and 4) does uncertainty and market fundamentals create a significant public equity drawdown.

While it is challenging, perhaps impossible, to effectively forecast this broad set of impacts and drivers, we can look at the direct relationship between oil prices and farmland returns. Figure 5 provides perspective on monthly global crude prices and annual total farmland returns for the state of Iowa. Cropland agriculture production in Iowa is almost entirely focused on corn and soybeans, primary agricultural commodities. This connects Iowa farmland production directly with energy commodities and inflation. The correlation between oil prices and Iowa farmland returns is clear in Figure 5 over the time period since 2000. Elevated oil prices have consistently been a 6-12 month leading indicator for periods of increased returns for Iowa farmland. Period with oil prices above \$100/barrel have led annual Iowa farmland returns to 20% or higher.

FIGURE 5



Monthly global crude prices and annual total farmland returns in Iowa from 2000-2025.

The current conflict in Iran is dynamic and unpredictable. Global capital markets appear to be anxious and volatile reacting to headlines on nearly a daily basis. This uncertainty and associated energy commodity supply issues caused by closing the strait of Hormuz have created significant volatility in global oil markets. The global oil markets are connected to agricultural profits and farmland returns through several direct and secondary drivers. Historically, U.S. commodity production farmland has experienced elevated total returns through periods of increased oil prices. Investors that are concerned about extended geopolitical instability and global energy commodity volatility can look to U.S. farmland as stable hedge for capital preservation and growth.





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