

WEEKLY ANALYSIS

EL NIÑO: A CATALYST FOR A VULNERABLE AGRICULTURAL MARKET

There is now a very high probability of an El Niño occurrence in 2026. Sugar, coffee, and rice are more vulnerable to climate disruptions. The agricultural commodities market is already weakened by the geopolitical situation. Who will be the indirect beneficiaries?

Key points



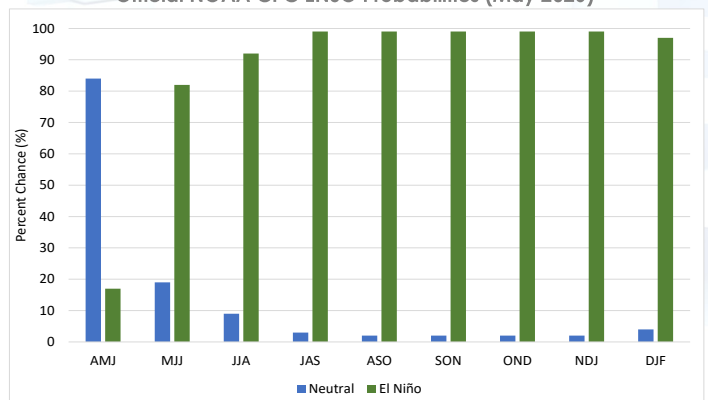
- Understanding El Niño
- El Niño's historical impact on agricultural commodities
- Rice, sugar, and coffee have historically been more vulnerable to climate disruptions
- El Niño 2026: A risk potentially amplified by an already fragile macroeconomic environment
- Potential positioning and indirect beneficiaries

Comprende El Niño

El Niño corresponds to the warm phase of the ENSO (El Niño-Southern Oscillation) climate phenomenon, a recurring climate cycle that originates in the equatorial Pacific Ocean. ENSO is characterized by cyclical fluctuations in ocean surface temperatures and atmospheric conditions in the tropical Pacific, alternating between three distinct phases: El Niño, La Niña, and neutral conditions. During an El Niño episode, sea surface temperatures in the central and eastern Pacific rise significantly above their historical averages. This warming weakens certain winds typically present in the region and disrupts major global atmospheric circulation patterns, altering precipitation patterns on a global scale. Although the phenomenon originates in the Pacific, its effects extend far beyond that region through atmospheric teleconnection mechanisms, resulting in particular in weaker monsoons in India, drier conditions in Australia, episodes of heavy rainfall in certain regions of South America, and weather anomalies in several major global agricultural regions. Consequently, El Niño is a particularly significant factor for agricultural markets, given the heavy dependence of crop

yields on weather conditions. Precipitation disturbances and droughts, heat stress affecting crops, and secondary policy responses, such as export restrictions or the building of strategic reserves, have historically generated significant volatility in several agricultural commodities: rice, sugar, palm oil, coffee, and wheat. Compared to most climate phenomena, ENSO is considered relatively predictable due to the slow evolution of ocean temperatures. The main institutions responsible for monitoring the phenomenon include the National Oceanic and Atmospheric Administration, the World Meteorological Organization, and the International Research Institute for Climate and Society. At this stage, the consensus points to the emergence of El Niño during the second half of 2026. NOAA currently estimates the probability of an event occurring between May and July at 82% and the probability of its persistence through the winter at 96%. Although the predictability of this event has increased, no two episodes are exactly alike, and predicting its precise regional impacts remains more complex. The most extreme episodes of 1997–98 and 2015–15 caused severe droughts in Southeast Asia and, in Australia, major disruptions to the monsoon. More recently, the 2023–24 episode also helped reignite concerns regarding the rice, sugar, and vegetable oil markets. Historical analysis shows that the ultimate impact of El Niño depends heavily on existing stock levels, the geographic concentration of supply, government responses, and the overall macroeconomic context.

Official NOAA CPC ENSO Probabilities (May 2026)



Sources: iri.columbia.edu / BBGI Group