

COMMODITY ANALYST

El Niño: Limited Global Crop Risk, Greater Exposure for Concentrated Softs

- On Thursday (Jun 11th), the National Oceanic and Atmospheric Administration (NOAA) assessed that El Niño conditions are present and expected to strengthen into a strong event, with a 63% probability of developing into a very strong (“super”) El Niño into the 2026–2027 winter.¹ While El Niños typically occur every 2 to 7 years, strong and very strong events are more unusual — occurring just 8 times over the past 75 years.
- Although we have found an only weak correlation between El Niño occurrences and temperatures across regions, there’s evidence that El Niño reshapes global rainfall patterns — typically bringing drier conditions to India, Southeast Asia, Australia, Southern Africa, and parts of northern South America, while increasing rainfall elsewhere.
- As different types of crops often overlap across these regions, past episodes have not typically been inflationary for food prices at the global level, as production gains in some regions have often offset losses in others.
- There are crops, however, whose supply is more significantly concentrated, like softs. As a result, if a strong El Niño materializes, it could weigh on global production of soft commodities like palm oil which are heavily concentrated in regions that typically experience drier conditions during El Niño.
- While we find no consistent global supply hit of El Niño to rice and sugar, the El Niño threat to crop conditions might lead to precautionary crop export bans. For instance, India’s rice export ban in July 2023 led to a sharp increase in global prices, and more recently, the country has introduced sugar export restrictions in anticipation of this year’s El Niño.² With many of the main exporters of rice and sugar concentrated in regions exposed to El Niño-linked droughts, we see such bans as a larger potential driver of crop price upside than the El Niño impact on harvests itself.

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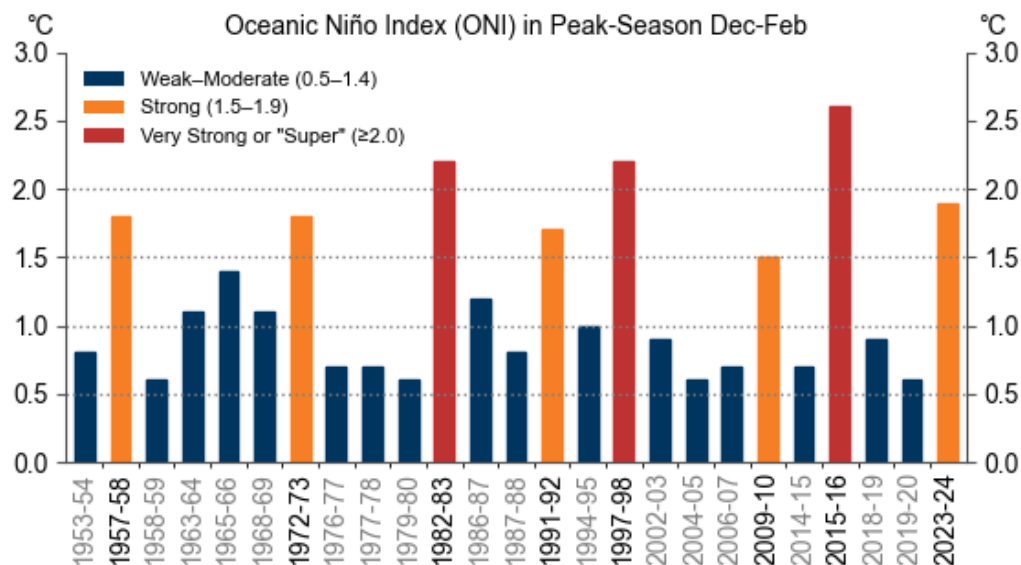
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¹ El Niño is a naturally occurring climate pattern defined by warmer-than-normal sea surface temperatures in the central and eastern tropical Pacific, and is typically associated with extreme weather events.

² Historically, fears of El Niño production shortfalls have triggered several major trade restrictions: India banned non-basmati white rice exports in anticipation of weaker harvests (July 2023–September 2024), Thailand classified sugar as a controlled commodity requiring approval for bulk exports (October 2023), and during the 2015–2016 drought, Zambia, Malawi and other southern African nations imposed maize export bans amid a 7.9-million-tonne regional cereal deficit.

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Exhibit 1: While El Niño Typically Happens Every 2–7 Years, Strong and Super Events Are More Unusual – Occurring Just 8 Times Over the Past 75 Years

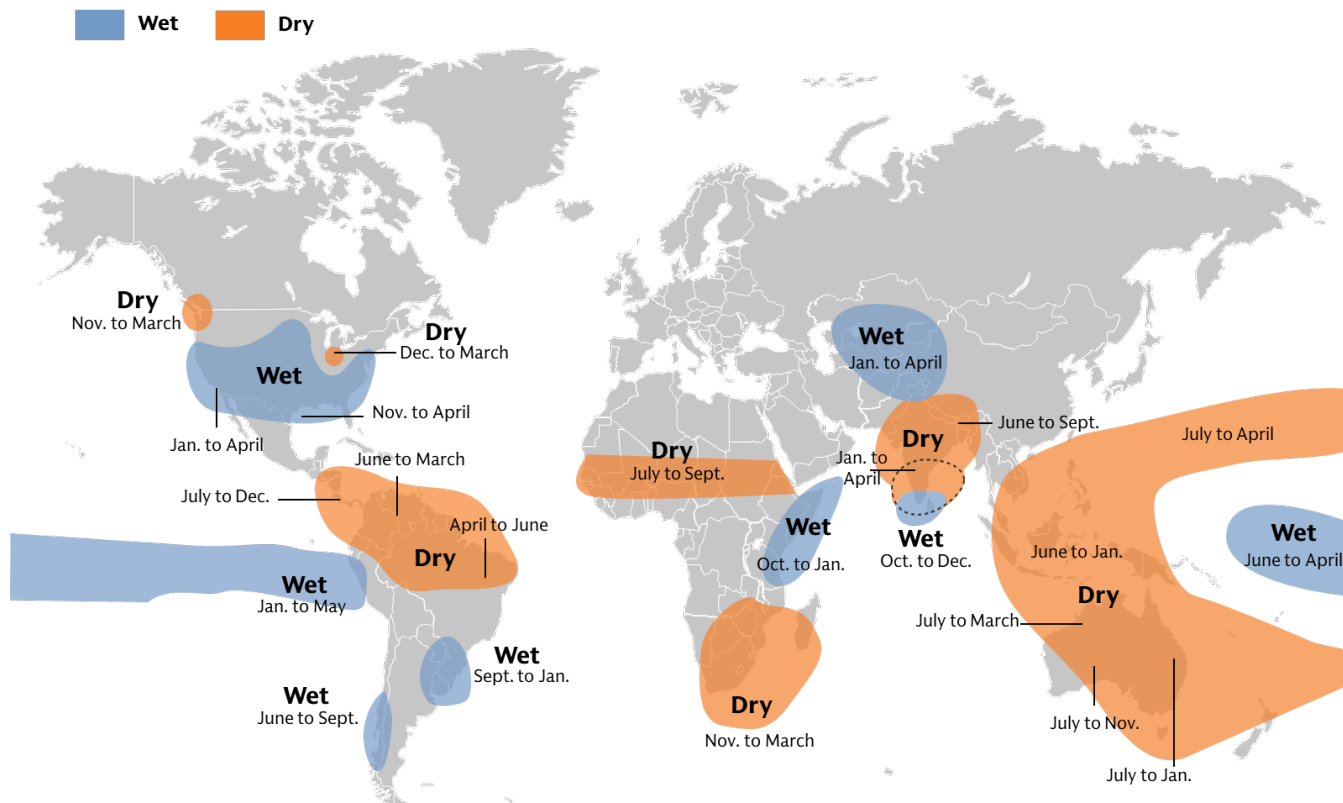


The Oceanic Niño Index (ONI) measures the three-month running average of sea surface temperature anomalies in the Niño 3.4 region of the equatorial Pacific (5°N–5°S, 170°W–120°W). An El Niño event is defined when the ONI exceeds +0.5°C for five consecutive overlapping three-month periods. The strength of the event is determined by the magnitude of the anomaly: +0.5°C is considered weak, +1.0°C moderate, +1.5°C strong, and +2.0°C very strong. Climatically, stronger El Niño events tend to produce more pronounced global impacts, with peak effects typically observed in Northern Hemisphere winter (December–February).

Source: National Oceanic and Atmospheric Administration, Goldman Sachs Global Investment Research

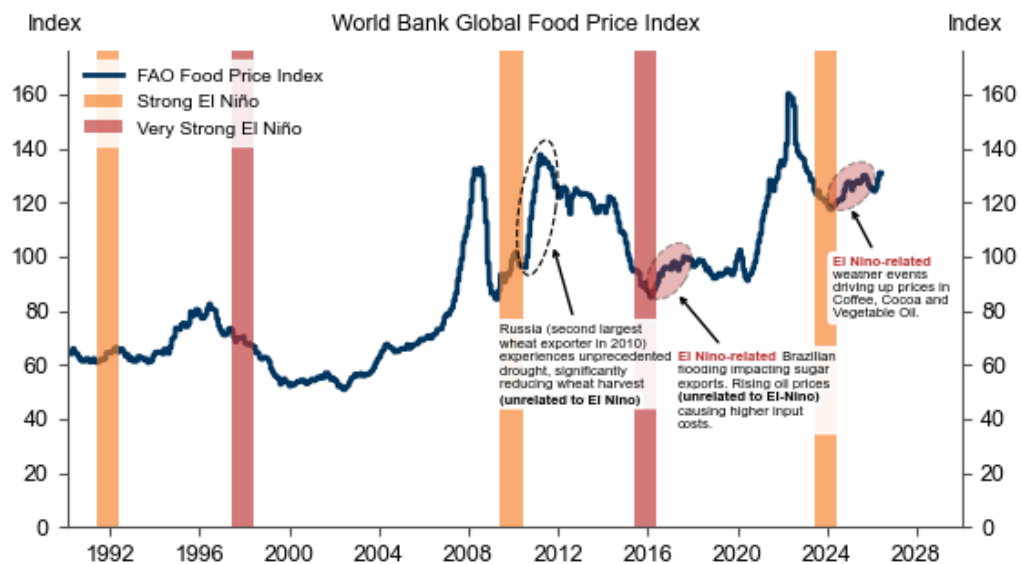


Exhibit 2: El Niño Reshapes Rainfall Patterns, Creating Winners and Losers Across Crops and Regions



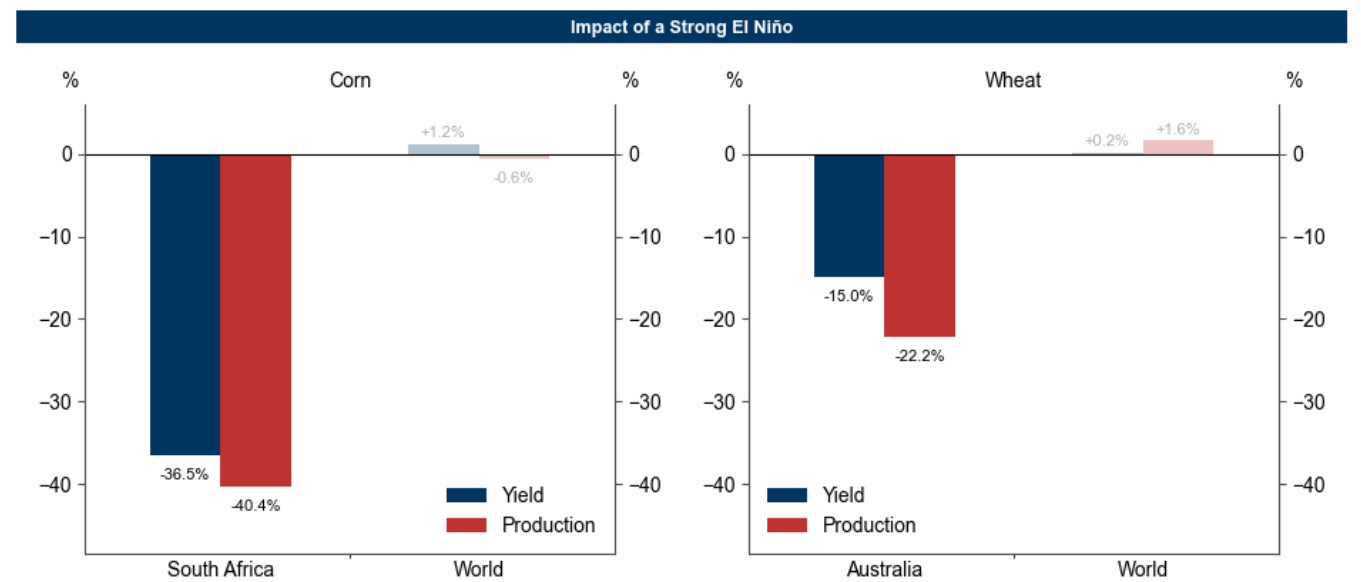
Source: International Research Institute for Climate and Society, Goldman Sachs Global Investment Research

Exhibit 3: Strong El Nino Events Have Not Typically Been Inflationary for Global Food Prices



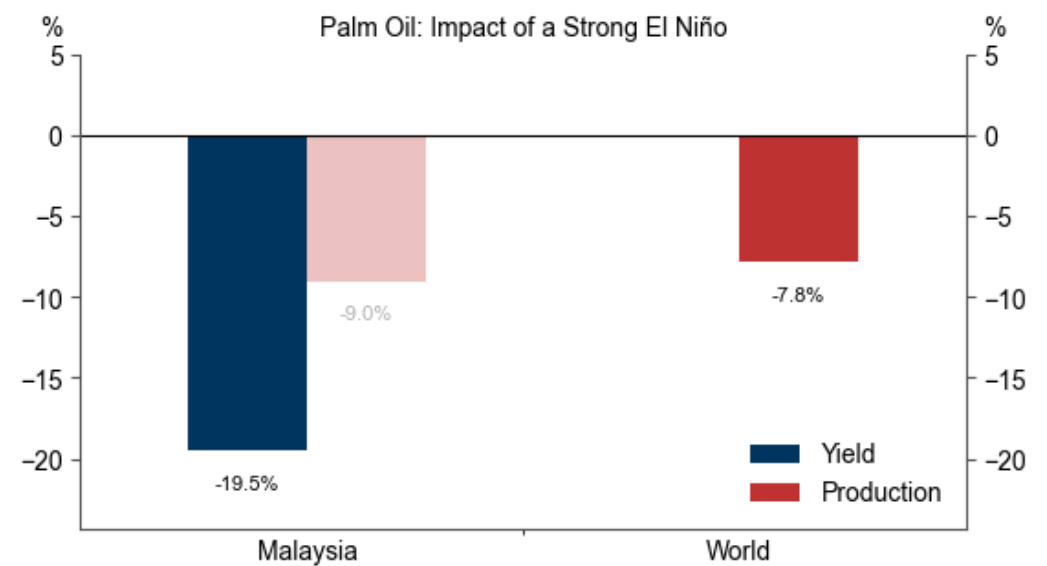
Source: Bloomberg, Goldman Sachs Global Investment Research

Exhibit 4: El Niño-Related Production Losses Are Typically Concentrated in Specific Regions, With Global Impacts Limited by Offsetting Gains Elsewhere



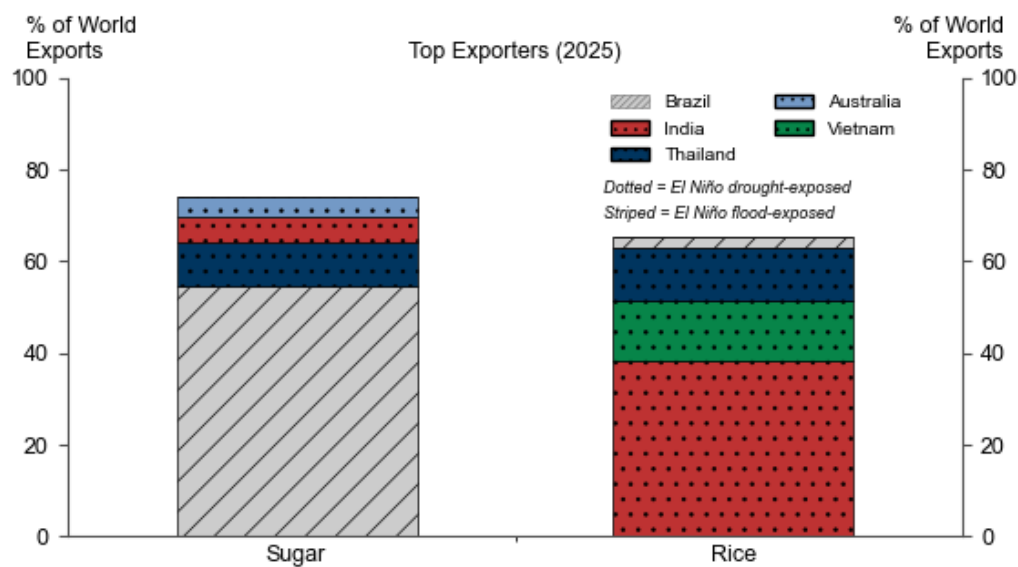
Source: USDA, Goldman Sachs Global Investment Research

Exhibit 5: A Strong El Niño Poses Risks to Palm Oil Supply, Given Its High Concentration in Drought-Prone South East Asia



Source: USDA, Goldman Sachs Global Investment Research

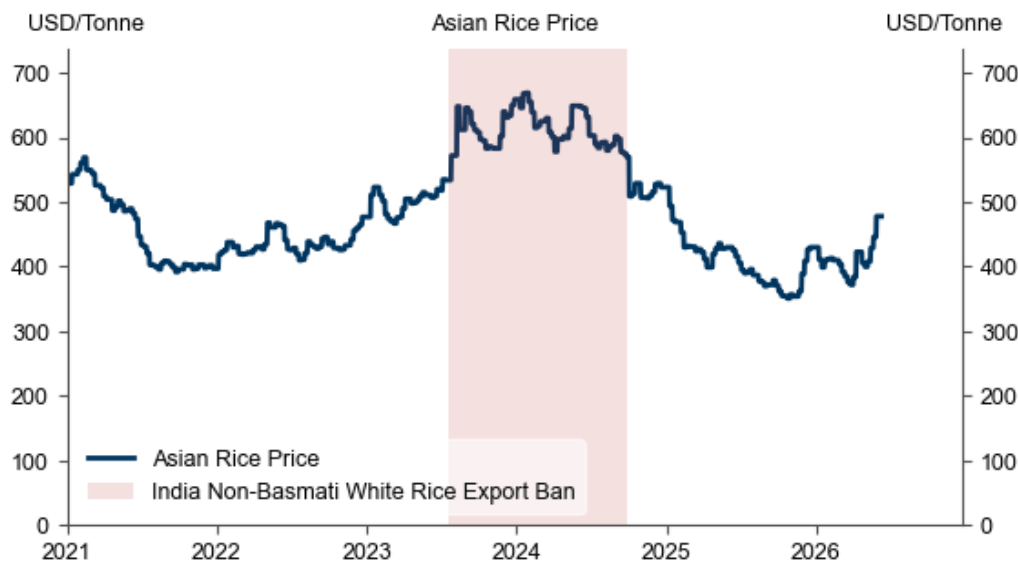
Exhibit 6: While El Niño Does Not Reliably Reduce Global Supply of Rice and Sugar, Its Main Exporters Are Concentrated in Drought-Exposed Regions



USDA tracks exports of Milled Rice and Centrifugal Sugar

Source: USDA, Goldman Sachs Global Investment Research

Exhibit 7: India's Rice Export Ban, Driven by Fears of El Niño-Related Shortfalls, Pushed Asian Rice Prices Sharply Higher in 2023-2024



Thailand white rice 5% is the benchmark price for Asian rice prices.

Source: Bloomberg, Goldman Sachs Global Investment Research

The authors would like to thank Ishan Kalia for his contribution to this report.