U.S. Commodities Markets

El Nino. A Diminishing Risk To Agricultural Commodities?

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In our May research note we highlighted our top 5 risks that have the greatest potential to impact commodity prices in 2023. These include the U.S. debt ceiling debate, U.S./Global recession, the emerging El Nino climate pattern, military activity in Ukraine, and the lingering geopolitical tensions with China. With the U.S. debt ceiling temporarily resolved, aka kicked down the road, we focus on our No. 3 risk item – El Nino and weather.

The weather risk variable has evolved as the global climate transitioned from a neutral El Nino Southern Oscillation (ENSO) cycle to a strengthening El Nino cycle. During this transition the global media has profusely reported on how the climate pattern should wreak havoc on world crop production, force food prices higher and inflict broad and renewed inflationary pressures.

From 1970 to current, historical U.S. row crop yield data during El Nino cycles shows the opposite. We see the El Nino climate pattern in MY 2023/24 helping global row crop yields return to the mean with a moderate probability of yields over performing.

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