



Soon it could be time again

## if El Niño threatens!

Status: 06.11.2019, 1:53 p.m.

**The dreaded El Niño weather phenomenon could reappear next year. The stock market shouldn't let that go.**

According to calculations by the University of Gießen and the Israeli Bar-Ilan University, the dreaded weather phenomenon will likely reappear in the Pacific region at the end of 2020.

According to the University of Gießen, the forecast is based on an algorithm that analyzes the air temperatures in the Pacific region. This should make it possible to make a forecast much earlier. The last two El Niño events could have been correctly forecast with a long lead time.

The model used allows the prediction that there will be an 80 percent probability of El Niño occurring again next year, write the researchers led by Josef Ludescher from the Potsdam Institute for Climate Impact Research (PIK).

The phenomenon, which occurs at irregular intervals every few years, is triggered by warmer water temperatures in the tropical Pacific. As a result, weather conditions worldwide are shifting due to changes in air and sea currents.

The previous record holder dates from 1997/98. The strongest El Niño ever claimed more than 30,000 lives as a result of floods, droughts and other catastrophes and caused around \$ 100 billion in damage.

### Big impact

When the water in the eastern and central Pacific heats up, it is a clear sign of El Niño, experts say. Then there are droughts in Central and South America, South Africa, South Asia and Australia, for

example, and elsewhere there is a risk of flooding and tropical cyclones.

## Scope and timing are important

The effects on the cultivation of agricultural products are correspondingly strong, since they strongly depend on the weather conditions. Droughts can destroy a crop, while floods can wash away plants or delay the harvesting process and lead to product destruction.

Although El Niño can have a significant impact on the prices of agricultural commodities, the specific effect depends on the extent and timing of the weather phenomenon, as well as location factors, such as where the crops have grown and how well the farmers are prepared for extreme weather conditions.

## Are sugar, cocoa and wheat becoming more expensive?

Sugar production is mainly concentrated in India and certain regions in Brazil. When El Niño occurs, chances are high that rainfall in both countries will be below average and there will be longer periods of drought. This could push up sugar cane prices.

## Will Australia's wheat become more expensive?

Indonesia, which produces ten percent of the world's cocoa, could also be hit directly by an El Niño event. Dry and warm weather in Indonesia could lead to price increases for cocoa.

Extremely dry and hot weather in Australia should reduce wheat production in the country - where four percent of the global wheat supply is produced - and make prices more expensive accordingly.

## Also relevant for the agricultural markets

The most obvious consequence of an El Niño is a falling US natural gas price, as the phenomenon usually causes significantly higher autumn / winter temperatures in the midwestern and northeastern United States. So exactly in those areas where the population density is high and where there is usually a significant heating season.

*ME / ag / lg / dpa*

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