Published June 2022 on stableprice.com/insights

Grains, Oilseeds Yields Impacted as Third La Niña Looms (Part II)

As a third consecutive La Niña remains in the cards toward the end of the year, global grains and oilseeds yields could see widely varying impacts.

La Niña weather patterns have generally been linked to lower aggregate global agricultural production in some studies. While wetter weather is more probable across Southeast Asia, northern South America, the Indian subcontinent and Eastern Australia, drier conditions can be expected in Mexico, Argentina and Southern China.

Chart: Regional weather impacts historically associated with La Niña events.

Source: Davey et al. (2014), Stable Research.

Although exact regional impacts can't be predicted with certainty, some regions are known to see a stronger correlation between La Niña conditions and specific weather patterns. Due to their location flanking either side of the Pacific Ocean, severe weather impacts can be near-inevitable for parts of Australia and South America.

Amid a second year of La Niña, increased rainfall and devastating floods have wreaked havoc on Eastern Australia–in a manner consistent with usual La Niña outcomes for the area. The Australian Bureau of Meteorology said July to September rainfall for much of the eastern two-thirds of the mainland was "very likely to exceed the median" with over 80% probability, following what had already been a record summer rainfall in many areas.

The likelihood of a third La Niña forming later in 2022 was at double the normal likelihood at around 50%, according to the bureau. Still, with most indicators now at neutral, the bureau said the 2021/22 La Niña had ended for the time being.

The latest ENSO forecast by IRI/CPC in the US had yielded similar results, suggesting La Niña conditions are 51% likely to continue into the December-February timeframe. A move into neutral conditions was seen to be slightly less probable at 43%.

Australia, Argentina could see most pronounced effects on yields

With indications of a third La Niña on the horizon, the upcoming months could be instrumental in understanding potential impacts from a renewed cycle.

In Australia, the impacts of wetter weather on grains and oilseeds production could prove significant. Wheat, coarse grains, canola and pulses accounted for 26% of the total production value of Australian agriculture, fisheries and forestry commodities in 2020/21. 67% of wheat and 65% of canola was exported between 2017-2020, adding a global knock-on effect should yields be impacted by more extreme weather patterns.

Depending on the timing, heavy rainfall could result in harvest delays for wheat and lower crop quality, meaning more wheat destined for animal feed rather than human consumption. However, overall outcomes for grains and oilseeds could be highly variable with growing regions in the South and West less impacted by La Niña's effects.

On the other side of the Pacific, Argentina could experience a continuation of drier growing conditions amid a third La Niña. In its annual report on Argentinian oilseeds and products, the USDA acknowledged the possibility of a third La Niña but based its estimates on a return to neutral weather conditions. Under those conditions, the USDA expects a rebound in soybean planted acreage for 2022/23 after hot and dry weather resulted in lower yields and planted area.

Even without forecasts explicitly based on assumed La Niña conditions, the 2021/22 marketing year offers some clues to possible outcomes for 2022/23. Dry weather caused large yield reductions for first crop soybeans in key producing regions, though normal rainfall ensured improved second crop soybeans.

2022/23 soybean production in Argentina is estimated at 51 million metric tons by the USDA, 24% higher than 2021/22 totals, though renewed drought may well create conditions for another year of subdued production. Sunflower seed production in the country is also currently expected to rebound following two years of below-average planted acreage due to drought. A further year of La Niña would likely see a continuation, rather than a reversal of that trend.