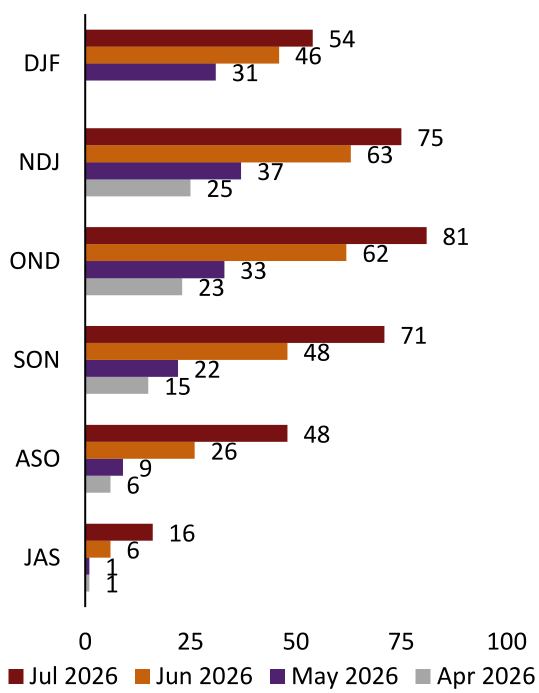
Figure 1. 10-day Rainfall History

10-day rainfall (mm)	BMKG Definition	Timeline
0 – 10		North Sumatera avg. (Jun-15: 5.9mm)
10 – 20	Low	South Sumatera avg. (Oct-15: 13.0mm)
20 – 50		Sumatera Island avg. (Jun-15: 23.5mm)
50 – 75		Kalimantan Island avg. (Jun-25: 70.0mm)
75 – 100	Moderate	Sumatera Island avg. (Aug-25: 79.9mm)
100 – 150		Kalimantan Island avg. (Nov-25: 135.1mm)
150 – 200	High	East Kalimantan avg. (Mar-11: 198.6mm)
200 – 300		Aceh avg. (Nov-25: 284.4mm)
> 300	Very High	–

Sources: BMKG, Humdata, SSI Research

Figure 2. Chance of Very Strong El Niño (%)



**) DJF (Dec-Feb); NDJ (Nov-Jan); OND (Oct-Dec); SON (Sep-Nov); ASO (Aug-Oct); JAS (Jul-Sep)*
Sources: NOAA, SSI Research

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Godzilla El Niño: Coming Soon!

Bottom line: Extreme dry weather is here with worst impact on volumes & prices in 2027. The National Oceanic and Atmospheric Administration (NOAA) has predicted the occurrence of a very strong weather pattern, coined by the market during 2015-16 super event as "Godzilla El Niño". NOAA has upgraded the current developing El Niño (**Figure 2**) to be the kind that in history had adversely impacted regional agriculture with sugarcane yields dropping 7% in 2015 (**Figure 3**) and soft-commodity prices spiking (**Figure 4**). While Indonesia's rice inventories are substantially higher than in 2015/16, reserves are sufficient for only 1.6 months of consumption in 2025/26 and 1.3 months in 2026/27E, the second lowest in the region (**Figures 5 & 6**), according to the USDA. While Indonesia has higher rice reserves than Vietnam; however, its production exceeds consumption by 18%, providing greater scope than Indonesia to rebuild reserves if exports were curtailed.

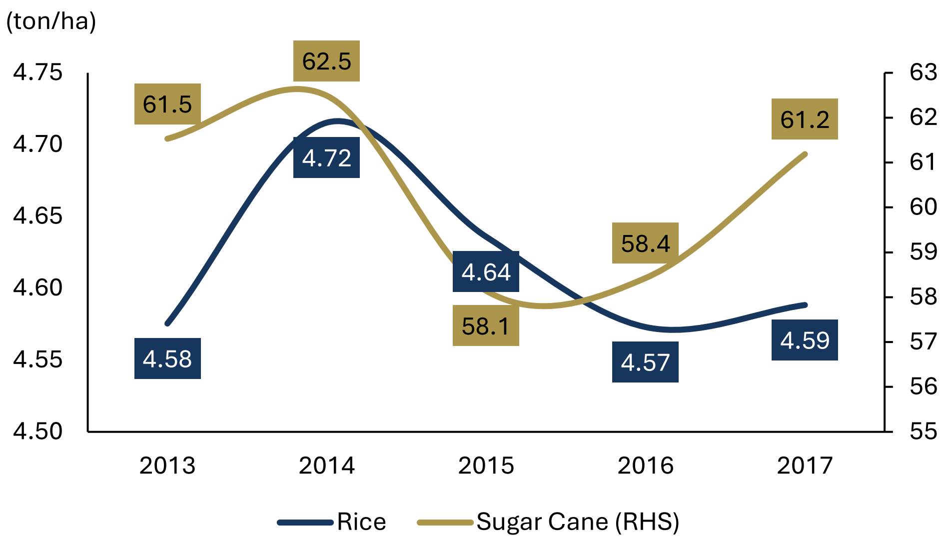
The event: Rising to 81% probability and 97% odds for occurrence until early 2027. "Godzilla El Niño" is sufficiently strong to push central Pacific sea temperatures more than 2°C above normal with warming of this size redrawing rainfall patterns across tropics: wet where it is normally dry, dry where it is normally wet. NOAA now puts the odds of reaching that "very strong" level at 81% for Oct–Dec 2026, up from 62% in June 2026 forecast and just 33% in the May 2026 forecast (**Figure 2**), and 97% odds that event persists into early 2027, which would rank it among the worst since 1950. Major forecasting models, including US and European, have all revised warmer patterns every month and now cluster around Sep-Nov 2026 peak, creating unusually high confidence. Two closest historical matches, 1997-98 and 2015-16, both cut global crop yields materially. Rainfall activities over Indonesia is already suppressed, bringing classic early drought warning for the archipelago (**Figures 8 & 9**). Humanitarian Data Exchange suggests that West Sumatera is already experiencing 10-day rainfalls of 34mm (**Figure 9**) vs. 75mm 2015-2016 average.

BMKG unambiguous: 2026 dry season runs drier than 30-year normal with inflation risk. Indonesia's Weather Bureau (BMKG) has expected for stronger dry season, longer and drier than 30-year normal with the latest expectation for c.56% of the country to experience low rainfalls and peaks in Aug-Sep across Java, Bali, Nusa Tenggara, Sulawesi, and southern parts of Sumatra, Kalimantan, and Papua. Beyond agriculture and water stress, BMKG explicitly flags "karhutla" (forest-&-land fires) as well as haze risk and air-quality with respiratory-health costs, and pressure on regional inflation (**Figure 10**).

GAPKI: c.30-50% jump in fertilizer costs, output constraints to worsen CPO production. There is a lag to oil-palm yield response to drought: water stress at Aug-Sep peak depresses FFB bunch formation and extraction rates 6-12 months out, making production trough lands in 2027, not 2026. GAPKI already warns of lower CPO production due to: 1) El Niño plus c.30-50% jump in fertilizer costs (Iran war) could cut 2026 output 1-2 mn tons off 2025 base of c.51.7 mn tons (+7.3% YoY); 2) Yield hit from smallholders (37% of planted areas) postponing fertilizer compounds; 3) Land confiscations (c.3.3 mn ha seized, 1.5 mn ha oil-palm transferred, 2-5 mn tons at risk), B50 and DSI export regime to limit CPO supplies.

Sensitivity analysis: Every 10% CPO price hike = 37% higher average 27F net profit. Leading up to the upcoming Godzilla El Niño, we expect significant CPO price increases to occur going forward. With Oil World (via MPOC) seeing Indonesian exports down as much as 1.7 mn tons in 2Q-3Q, CIF Rotterdam price already averaged USD1,356/t in 1Q26 (vs c.USD1,230 a year earlier), MPOC pegs prices firm around RM4,400/t, and bull case runs to USD1,500/t on B50 plus El Niño. Thus, setup for upstream producers is the classic El Niño trade: volumes down, prices up, and historically CPO equities outperform on price leverage even as tonnage slips. Based on our sensitivity analysis, every 10% CPO price hike = 37% higher average 27F net profit (**Figure 11**) with AALI as the biggest beneficiary.

Figure 3. SEA + India & China Corp Yield



Sources: Ourworldindata, SSI Research

2015–16 El Niño resulting in lower yield of rice and sugar cane in the region

Figure 4. Soft Commodities Price Increase

Crop	Benchmark	Unit	2015	2016	Growth
Corn	US No. 2 Yellow, FOB US Gulf	USD/mt	169.8	159.2	-6.2%
White Rice (Milled)	Thailand 5% broken, FOB Bangkok	USD/mt	386.0	396.2	2.6%
White Rice (Milled)	Thailand 25% broken, FOB Bangkok	USD/mt	372.6	385.3	3.4%
White Rice (Milled)	A1, Thailand 100% broken, FOB Bangkok	USD/mt	386.0	380.3	-1.5%
White Rice (Milled)	Vietnam 5% broken, FOB Hanoi	USD/mt	351.8	356.1	1.2%
Soybean	US soybeans, CIF Rotterdam	USD/mt	402.0	415	3.2%
Sugar	World raw sugar	USD/kg	0.30	0.40	33.3%
Sugar	EU raw sugar	USD/kg	0.4	0.36	0.0%
Sugar	US raw sugar	USD/kg	0.55	0.61	10.9%
Coffee - Arabica	ICO Other Mild Arabicas	USD/kg	3.5	3.61	2.3%
Coffee - Robusta	ICO Robustas	USD/kg	1.94	1.95	0.5%
Palm Oil	Malaysian palm oil	USD/mt	559.0	639	14.3%

Sources: World Bank, SSI Research

Majority of soft commodity prices increased during El Niños

Figure 5. Rice Inventory, 2025/26

Country	Production (000 MT)	Consumption (000 MT)	Ending Stocks (000 MT)	Stocks Reserve (Months)
China	146,330	147,230	105,500	8.6
India	154,020	124,520	54,000	5.2
Thailand	20,700	12,700	3,800	3.6
Japan	7,480	7,950	1,900	2.9
South Korea	3,540	3,850	600	1.9
Philippines	12,350	17,600	2,740	1.9
Indonesia	33,800	35,300	4,580	1.6
Vietnam	26,200	22,250	2,500	1.3

Sources: USDA, SSI Research

Indonesia's 2025/26 rice reserves are only 1.6 months with total consumption at 104.4% of production

Figure 6. Rice Inventory, 2026/27F

Country	Production (000 MT)	Consumption (000 MT)	Ending Stocks (000 MT)	Stocks Reserve (Months)
China	147,000	147,200	107,000	8.7
India	150,000	128,000	51,000	4.8
Thailand	20,300	12,800	3,850	3.6
Japan	7,380	8,050	1,850	2.8
Philippines	12,400	17,900	2,840	1.9
South Korea	3,490	3,780	550	1.7
Indonesia	33,600	35,000	3,680	1.3
Vietnam	26,100	22,200	2,100	1.1

Sources: USDA, SSI Research

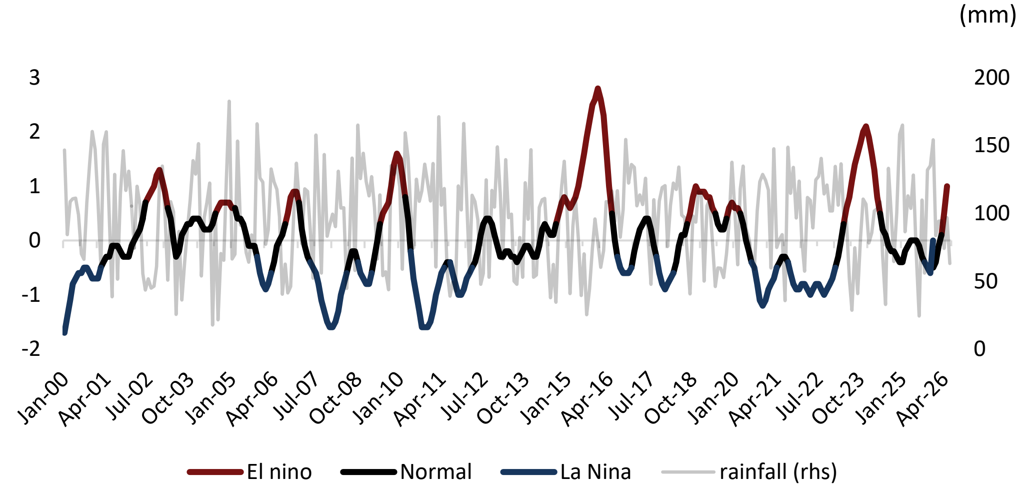
Lower production of rice for exporting countries (Thailand & Vietnam) poses risk for rice importing countries (e.g. Indonesia, the Philippines, India)

Figure 7. Indonesia Crop Calendar

Indonesia			JAN 1	FEB 2	MAR 3	APR 4	MAY 5	JUN 6	JUL 7	AUG 8	SEP 9	OCT 10	NOV 11	DEC 12
Crop	Rice-Milled (main Java)			Growing		Harvest						Planting		
	Corn (Rainy)		Growing	Harvest								Planting		
	Corn (Dry)					Planting		Growing	Harvest					
	Coffee (Sulawesi, Bali, Java)							Harvest						
	Chilli			Growing			Harvest		Growing		Harvest			
Fertilizer	N: Urea	Exports (1.9 Mt)				Peak Exports								
	K: MOP	Imports (3.3 Mt)	Peak Imports											

Sources: Various Sources, SSI Research

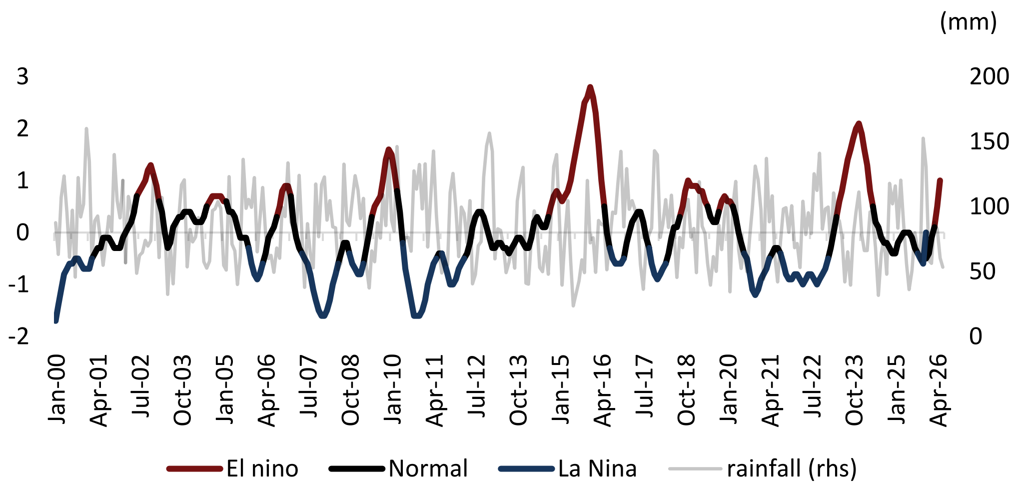
Figure 8. Average Kalimantan Island Rainfalls



Sources: Bloomberg, Humdata, BMKG, SSI Research

During the 2015–16 El Niño period, the trough 10-day average rainfall on Kalimantan Island was only 25 mm, recorded in August 2015

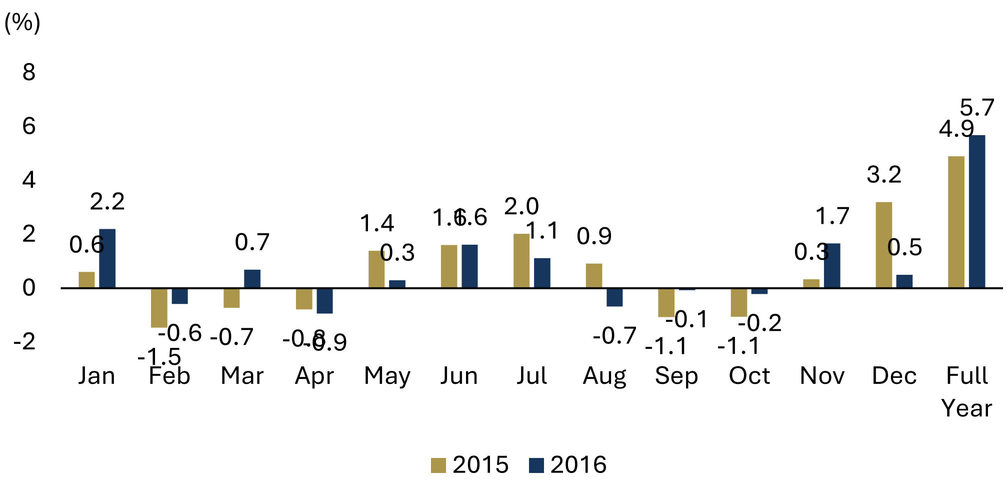
Figure 9. Average Sumatera Island Rainfalls



Sources: Bloomberg, Humdata, BMKG, SSI Research

During the 2015–16 El Niño period, Sumatera experienced the most severe drought, with an average 10-day rainfall of 75 mm, compared with 82 mm in Kalimantan

Figure 10. Indonesia Food Stuff Inflation, 2015-16



Sources: BPS, SSI Research

During the 2015–16 El Niño, full-year food inflation in Indonesia averaged 5.3%

Figure 11. Sensitivity Analysis, 2027F

Ticker	Target	TP	Base Case NP (IDRbn)	Base Case NPM (%)	+10% CPO Px Hike NP (IDRbn)	+10% CPO Px Hike NP Change (%)	+10% CPO Px Hike NPM (%)	+10% CPO Px Hike NPM Change (bps)
AALI*	HOLD	8,179	1,804	6.2	3,637	101.6	11.5	529
BWPT	BUY	450	515	8.4	819	59.0	12.3	387
DSNG*	BUY	1,888	2,460	18.2	3,207	30.3	22.0	384
TAPG*	BUY	2,106	4,224	32.5	5,248	24.2	36.7	422
NSSS	BUY	1,000	1,227	44.2	1,452	18.3	47.6	334
LSIP*	BUY	1,986	1,906	32.4	2,248	17.9	35.5	307

Sources: USDA, SSI Research
**) consensus*

Companies with lower NPMs tend to benefit more in environments with elevated CPO prices

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