

CROSS-ASSET THEMATIC

Super El Niño 2026-27

What is mispriced, what the vehicles actually earn, and when to leave — a sugar trade into the event peak with dated exits, not a broad agricultural bull market

Record current conditions are observable and a record peak is now the consensus base case of NOAA, the IRI, JMA and BoM; the crop and price consequences remain uncertain, and that is where the work is. This note audits what markets have priced, tests the narrative against the four previous strong events with a non-El Niño control, and values the two expressions contract by contract and line by line. Raw sugar has already collected the historical "event discovery" premium (May→August +12% on monthly averages against a four-event median of +13%); what remains is the India-data premium, which we value at 21.0c for Mar-27 against a 19.05c forward. Because the sugar ETF holds deferred contracts, that is a probability-weighted +8.8% for CANE — not the +16% a front-month comparison suggests. Adecoagro is a sugar-plus-urea vehicle whose bull case is only 40% sugar: fairly priced with positive skew and a leverage tail. Grains and fertilizers are not on the transmission chain; palm oil is, but as a 2027 story to be built after the ONI peak. Sugar reversals have begun at the peak month unless India turned net importer, so the position needs an exit rule before end-January 2027.

Key calls (prices 8 September 2026 intraday; sugar 4 September settlement)

Vehicle	View	Price	Prob.-weighted value	Expected return	Window
CANE — Teucrium Sugar (raw sugar #11)	POSITIVE core expression; contract-level scenarios \$9.83 / 12.67 / 14.63 at 25/50/25 (Mar-27 at 15 / 21.5 / 26c)	\$11.46 (NAV 11.44)	\$12.45	+8.6% net of carry	Now → end-Jan 2027
AGRO — Adecoagro	POSITIVE low-weight convex overlay; FY27 sugar 84% unhedged, plus urea; scenarios \$3.2 / 13.6 / 22.3	\$12.19	\$13.2	+8% (+2% div.)	3Q26 on 10 Nov; FY27
BG — Bunge	CONDITIONAL crush-margin optionality; selling its Brazilian sugar mills; attractive below \$110	\$125.32	\$112	-11% (+2.4% div.)	—
Palm oil chain (KLK, SD Guthrie, IOI, Wilmar)	WATCHLIST best base rate of the theme but post-peak; no US-listed vehicle; build after the ONI peak	CPO RM4,977	—	unpriced	Q1-27 → 2027
DBA ; CF / NTR / CTVA; HSY / MDLZ	NOT AN EXPRESSION / WATCH softs ≈ 15% of DBA; fertilizers second-order and re-rated; 2027 cocoa deflation visible	—	—	priced	Results Oct–Nov
DE / AGCO, CORN / SOYB / WEAT, MOS	AVOID on the wet side of the map; rallied on flow, not mechanism	—	—	—	—

Expected return = probability-weighted value / price – 1, before dividends unless stated; probabilities are our estimates and sum to 100%. Research views, not investment advice — see the disclaimer on the last page. Second edition: adds the contract-level CANE valuation and the AGRO earnings bridge (§ 8), like-for-like historical comparisons with a non-El Niño control (§ 4), a pricing audit (§ 2) and a catalyst-to-action matrix (§ 10); supersedes the first edition of the same date. Mingyang Fund Research • Author: Alex Chen • Data as of 8 September 2026 (ENSO: August monthly and the 31 August weekly; commodities: 4 September settlements, 7–8 September spot; equities: 8 September intraday; CFTC: 1 September). Mingyang Fund may hold positions in the securities discussed.

1. Investment summary

+2.52°C Niño3.4, August monthly (1997 same month +1.68; 2015 +1.65). Upper-ocean heat content +3.22°C, highest since 1979	+12% / +13% Raw sugar May→Aug 2026 on monthly averages vs the four-event onset→peak median. Peak→+6m median –24% (3 of 4 reversed)	21.0c vs 19.05c Our probability-weighted Mar-27 price at end-January vs the forward: +10% unpriced. The market gives 23% to ≥21.5c; we give 50%	+8.8% / +10% CANE contract-level expected return (net of carry) / AGRO incl. dividend — against worst five-day moves of –8.8% and –21.5%	18.3% Managed-money net long as a share of ICE raw-sugar open interest (1 Sep), from –18.5% on 23 June; gross long plus short a record
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- Strength is consensus; phase is the edge.** Every agency has the strongest event since 1950 as its base case (§ 3). Historical peaks fall in November–January and decay from February, so **markets trade the event in August–November, the confirming data in December–March, and the next season in February–April.**
- History gives two different trades.** On monthly averages, raw sugar rose a median +13% from onset to ONI-peak month across 1997, 2009, 2015 and 2023 and fell a median –24% in the six months after the peak — the 81st and 13th percentiles of the same calendar windows in non-El Niño years (§ 4). Palm oil was flat into the peak and +12% after it. **Sugar is a pre-peak trade; palm is a post-peak trade** — and this event's sugar has already delivered the pre-peak median.

3. **Sugar is half-priced, in a precise sense.** The Mar-27 forward (19.05c) is the market's mean for end-January; ours is 21.0c. A 30%-IV lognormal gives 23% to $\geq 21.5c$ and 6% to $\geq 25c$; we give 50% and 25% — and more to $\leq 15c$ too (25% vs 12%), because the 30 September Indian policy decision makes the outcome bimodal (§ 2). Equities moved first (CF +28%, AGRO +23%, CANE +22% since 16 June); the fertilizer re-rating is complete.
4. **Vehicle-level returns are lower than front-month returns.** After its 29 September roll CANE holds May-27, Jul-27 and Mar-28, which capture 69–80% of the Mar-27 move in our scenario curves: **\$9.83 / \$12.67 / \$14.63 against \$11.46, probability-weighted +8.8%** (Table 5). AGRO's bridge from sugar price to equity value gives **\$3.2 / \$13.6 / \$22.3, probability-weighted \$13.2 (+8%; +10% with the dividend)**; sugar explains only \$3.2 of the \$10 bull-case upside, urea \$3.8 (Table 6). Its expected return is 0.48x its worst historical week, against 1.0x for CANE — a low-weight convex overlay, not a second core position, and both legs are one sugar factor.
5. **The edge is in leaving.** Sugar reversals have begun at the ONI peak month (± 1) unless India turned net importer. Table 9 converts that into dated rules — 30 September policy, October–November crush data and ISMA's first estimate, the December CPC confirmation of the peak, January–March estimates for Brazil's 2027/28 crop (Hedgepoint already sees a record 43 Mt). A position built now is reviewed at the peak and closed by end-January 2027 unless India is importing 2 Mt or more.

Table 1 Consensus vs our view

Topic	Consensus / prevailing sell-side framing	Our view	Priced?	Evidence
Event strength and phase	"Strongest ever" → a broad commodity and agricultural bull market held for twelve months	Strength is fully priced; phase is what matters. Sugar trades before the ONI peak, palm after it; the market trades the event Aug–Nov and the data Dec–Mar	Strength yes; phase no	§ 3, Figs. 3, 6
Grains and farm inputs	The 23 August broker notes run El Niño → higher grain prices → farm income → fertilizer and pesticide demand, with the Black Sea as accelerant	Grains sit on the wet side of the map: four-event onset→peak medians –19% (HRW wheat), –5% (corn), –9% (soybeans), with no El Niño premium against non-El Niño years. This year's wheat rally is Black Sea logistics. The farm-income → inputs link is real but second-order	Mis-priced: rallied on flow	Figs. 4–5, Table 3
Fertilizers	Re-rate on input demand and low price percentiles; CF / NTR / MOS as the El Niño basket	Already re-rated 22–28% since June; CF's story is urea and gas, not weather; MOS is on the wrong side (drought slows potash demand). Priced and second-order	Priced	Fig. 2
Sugar	Bullish on the deficit narrative; targets 20–22c; the crowd is already long (+234k lots)	Same direction, different stage: the discovery premium is collected; what remains is India's October–November data. Our mean 21.0c vs the 19.05c forward, fatter tails on both sides than the market; exit at the peak unless India imports	Half-priced	§ 2, § 6–8
Palm oil	Bullish now on Indonesia's B50 mandate and El Niño; planters guide RM5,200 for Q1-27	The best base rate of the theme (post-peak median +12%; highs 5–13 months after the peak) but a 2027 story, no US vehicle, premature before the ONI peak. Watchlist, to be built after the peak	Unpriced, but early	§ 4, § 9

2. What is mispriced: the pricing audit

"Half-priced" and "unpriced" are claims about a distribution, so we state them as one. For the contract that matters at the end of our window — Mar-27 raw sugar at end-January 2027 — the market's mean is the forward, 19.05c; our three scenarios (15c / 21.5c / 26c at 25 / 50 / 25%) have a mean of 21.0c, a 10% gap. Fig. 1 compares the market-implied distribution (lognormal at the $\approx 30\%$ at-the-money implied volatility) with ours: the market assigns 23% to a finish at or above 21.5c and 6% to 25c or more; we assign 50% and 25%. We also assign more to the bear tail (25% at or below 15c against 12%), because India's 30 September decisions on the export ban and ethanol diversion make the outcome bimodal rather than lognormal. The direction is priced, the level is about half priced, and the width of the distribution is under-priced in both directions — which argues for owning the position with a stop and a calendar, not for owning more of it.

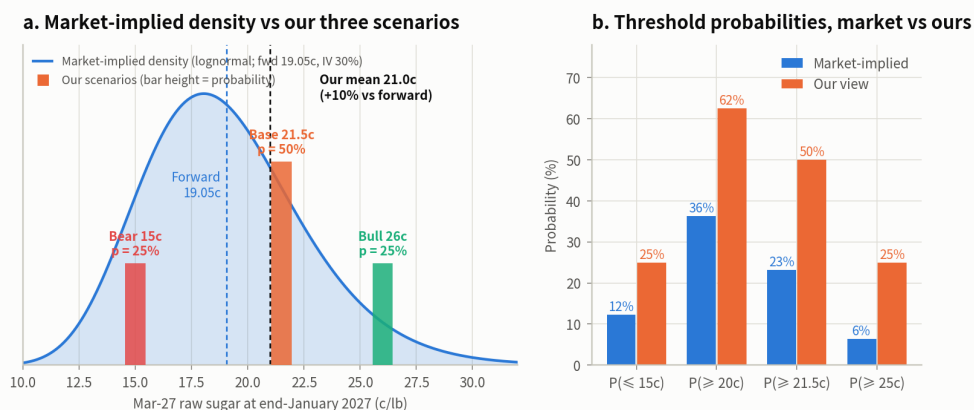
Table 2 Pricing audit: market-implied versus our view

Metric	Market-implied	Our view	Reading
Mar-27 at end-January 2027, mean	19.05c (forward)	21.0c (probability-weighted)	+10%: half-priced
$P(\geq 21.5c) / P(\geq 25c) / P(\leq 15c)$; one-sd range	23% / 6% / 12%; 15.8–23.0c (IV 30%, 0.4y)	50% / 25% / 25%; scenario range 15–26c	Both tails under-priced; policy bimodality
Curve shape (4 Sep): Oct-26 18.07 → Mar-27 19.05 → Mar-28 18.41	Q1-27 priced as the tightest point (+0.98c contango into March, backwardation after)	Agree on the shape — India's crush data land in Q1-27, Brazil's 2027/28 after — disagree on the level	Timing priced; level not
Balance implied by the price	The +3.3c rally since May prices ≈ 2 Mt of deterioration at $\approx 1.5c$ per Mt — roughly balanced to –1 Mt, the ISO / Czarnikow end of the range	India at 29–31 Mt and Thailand below 10 Mt give –1 to –3 Mt (trade-house median –1.3 Mt); USDA's +4.8 Mt is pre-monsoon	The deficit the data are converging on is not yet priced
Positioning (CFTC, 1 Sep)	Managed-money net +234k lots = 18.3% of open interest, from –18.5% on 23 June; gross long plus short a record	A sizing constraint and a source of 3% daily moves, not a directional signal; the divergence rule in Table 9 applies	Priced by the crowd; fragile

Metric	Market-implied	Our view	Reading
Equities since 16 June (BoM declaration); options	CF +28%, NTR +24%, AGRO +23%, CANE +22%, MOS +22%; BG +5%; S&P 500 +2%. Front-month IV $\approx$ 32%	Equities found the theme before the commodity; AGRO trades at 92% of our value; the fertilizer re-rating is complete. Express the view in the underlying, not in calls	Headline priced; vehicles fair

Fig. 1 Pricing audit: the Mar-27 forward is the market's mean (19.05c); our probability-weighted mean is 21.0c

We also put more weight in both tails than a 30%-IV lognormal does: the 30 September policy decision makes the outcome bimodal



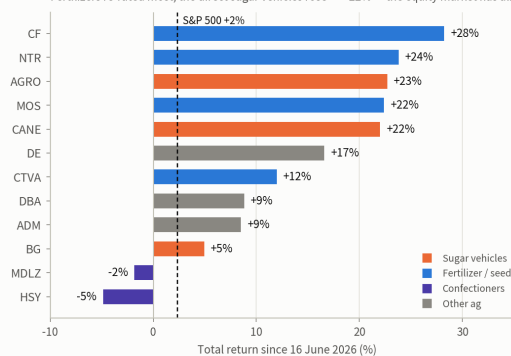
Source: ICE settlements (9/4) via Czarnikow; ATM implied volatility $\approx$ 30–32% (Barchart, front-month options, late Aug); Mingyang Fund Research scenarios. The risk-neutral lognormal ignores skew — an approximation.

The prevailing sell-side framing, and where we depart from it.

The August broker notes frame the event as a grain-price shock that lifts farm income and therefore fertilizer and pesticide demand (with pesticide prices at low historical percentiles), accelerated by Black Sea logistics and a positive Indian Ocean Dipole. The equity market has traded that framing: since BoM declared El Niño on 16 June the fertilizer names have re-rated most and the equipment names have followed (Fig. 2). We depart on the first link. In the four previous strong events grains fell into the peak (HRW wheat -19% , soybeans -9% , corn -5% medians), and against non-El Niño years in the same calendar windows they show no El Niño premium at all (Fig. 5): the wet side of the map — Argentina, southern Brazil, the US southern plains — produces more than the dry side loses. This year's grain rally is a Black Sea story. The clean channels are sugar (dry India and Thailand, policy-amplified) and, with a lag, palm oil. Of the twelve names in Fig. 2 only three are on the transmission chain (CANE, AGRO, and BG through its oilseed crush), and BG is selling the Brazilian sugar mills that would have made it a fourth; DBA is 15% softs. The direct sugar vehicles remain thinly held — AGRO has seven covering analysts with an average rating of Hold, CANE has \$61M of assets — which is both the opportunity and the liquidity constraint.

Fig. 2 Equities moved first: the El Niño basket since BoM's declaration

Fertilizers re-rated most; the direct sugar vehicles rose $\approx +22\%$ — the equity market has already found the theme



Source: FMP daily closes (8 Sep 2026 intraday); Mingyang Fund Research.

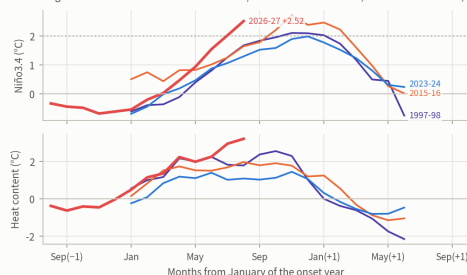
3. The event: strength, phase and clock

Strength. NOAA's Climate Prediction Center (13 Aug) has an El Niño Advisory in effect, gives "greater than 90%" odds of a very strong event and 69% odds of "a historic event that would exceed the strength of previous El Niño events dating back to 1950"; the IRI (19 Aug) has 25 of 26 models in the "very strong" category for October–December; JMA reports July Niño3.4 "tying with 1997"; BoM (1 Sep) expects "record values by quite a significant margin". The observables support them: August Niño3.4 was $+2.52^\circ\text{C}$, about 0.85°C above 1997 and 2015 in the same calendar month, and upper-ocean heat content $+3.22^\circ\text{C}$, a record and the fuel for surface warming over the next three to six months (Fig. 3). Record current conditions are observable; a record peak is the consensus base case; the crop and price consequences remain uncertain.

Phase and clock. Every strong event's ONI peak has fallen in November–January, followed by decay to neutral within three to five months (all four historical curves in Fig. 3 are back below $+0.5^\circ\text{C}$ by the following April–June). From December onward each monthly CPC discussion will write "past peak" into the text, and that is where sugar reversals have historically begun (§ 4). Two definitional notes: NOAA's official index since February 2026 is the relative ONI, which strips out tropical-mean

Fig. 3 Niño3.4 and upper-ocean heat content vs 1997, 2015, 2023

Aug-26 Niño3.4 $+2.52^\circ\text{C} \approx 0.85^\circ\text{C}$ above 1997/2015 in the same month; heat content $+3.22^\circ\text{C}$, a record

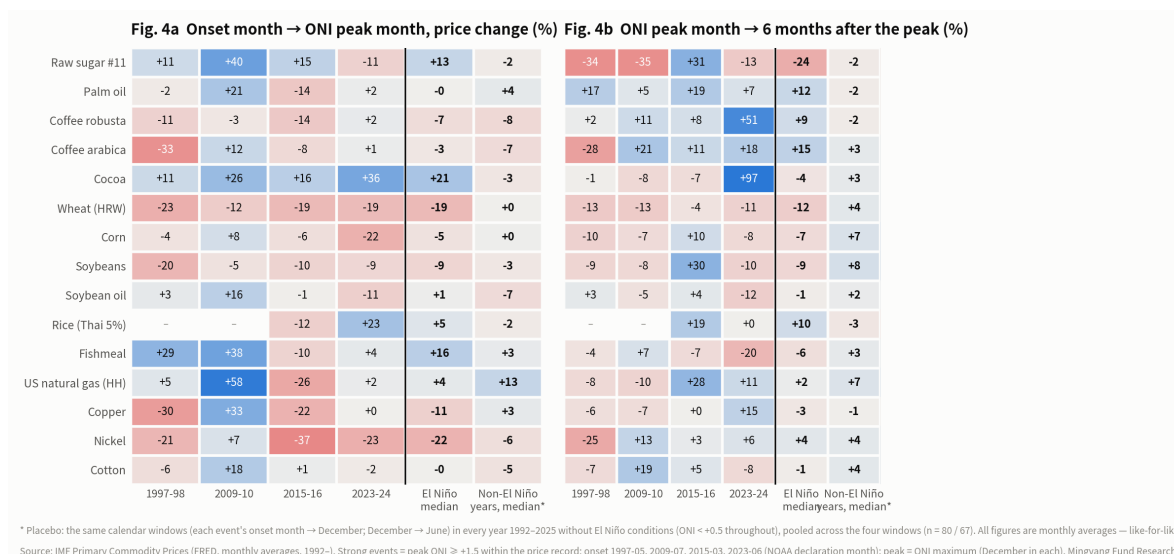


Source: NOAA CPC monthly Niño3.4 (OISST, 1991–2020 base) and equatorial upper-ocean heat content (180–100°W, 1981–2010 base); Mingyang Fund Research.

warming — the "+1.8°C" in CPC's 31 August weekly is the relative value and the same week's traditional value was +2.6°C; comparisons here use the traditional basis. And 2014's "super El Niño that never came" is a weak analogue: in August 2014 Niño3.4 was near zero and no Advisory was issued. The tail risk to this note is an early peak followed by fast decay, not "no event".

4. Historical evidence and method

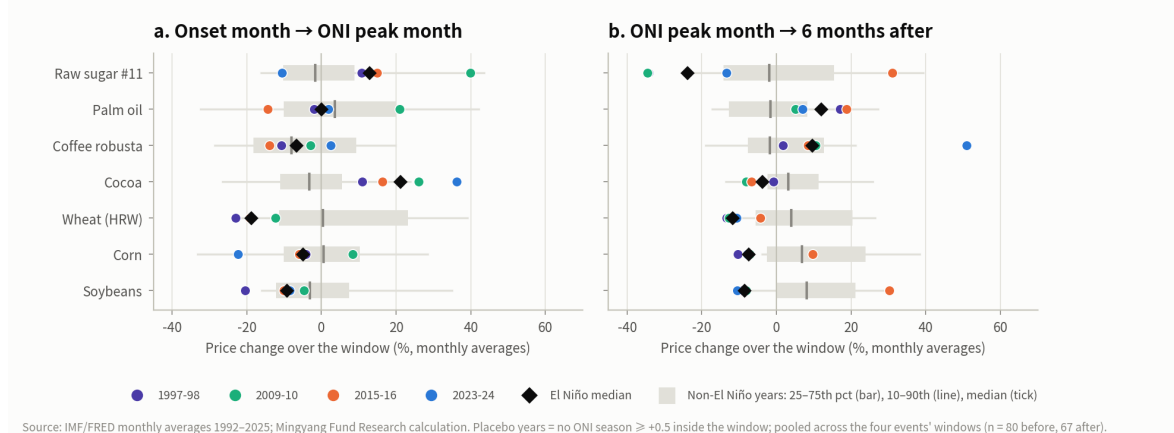
Method. We use IMF monthly average prices (via FRED, 1992 onward) throughout, so every comparison is like-for-like. Strong events are those with a peak ONI of +1.5°C or more inside the price record: onset months are NOAA's declaration months (May 1997, July 2009, March 2015, June 2023), peak months each event's ONI maximum (December in all four). Fig. 4 gives the price change from onset to peak and from the peak to six months later, with two reference columns: the El Niño median and, as a control, the median of the same calendar windows in every non-El Niño year (no ONI season at or above +0.5°C inside the window; 80 and 67 observations). The 2026 comparison is May→August on monthly averages (+12%, August estimated at 16.55c from weekly settlements and the sugar ETF's August/July ratio); the 4 September spot of 18.07c is shown separately because it is a different basis. Four observations are a base rate, not a law.

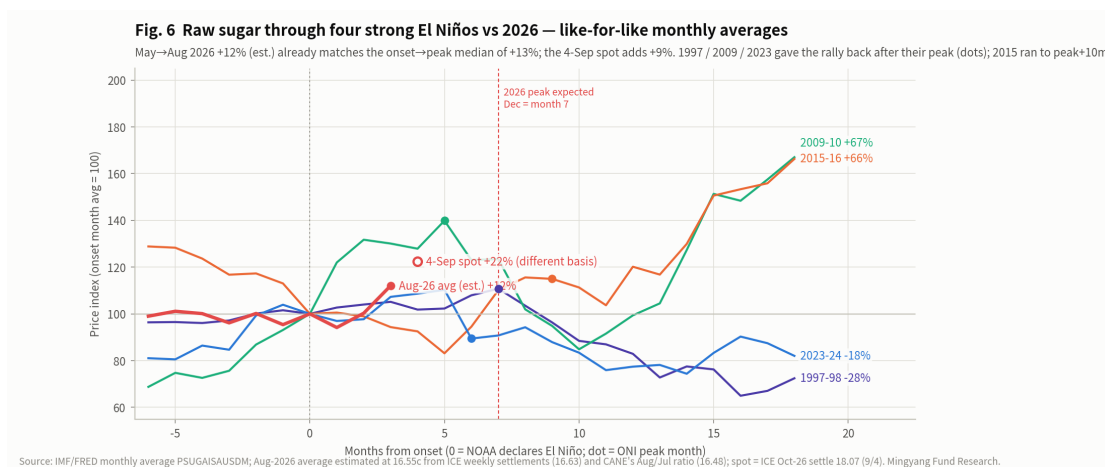


- Sugar rallies into the peak and gives it back after.** Onset→peak +11 / +40 / +15 / -11% (median +13%) against a non-El Niño median of -2%; peak→+6m -34 / -35 / +31 / -13% (median -24%) against -2%. The one continuation, 2015-16, came because India lost a second consecutive crop and turned net importer; the opposite extreme, 2023-24, reversed in the peak month itself when a record Brazilian crush met India's cap on cane-juice ethanol. This event's May→August +12% already matches the pre-peak median (Fig. 6).
- Palm oil barely moves before the peak and rallies after it.** Onset→peak median 0% (non-El Niño +4%); peak→+6m +12% (non-El Niño -2%); the 2015-16 high came in January 2017, thirteen months after the ONI peak. Drought cuts fresh-fruit-bunch yields with a 6–24-month lag, which makes palm the longest-duration and least-priced leg of the theme.
- Grains, robusta and cocoa are not El Niño trades.** Wheat, corn and soybeans fall into the peak and show no premium against non-El Niño years in either window; robusta's event median is -7%; cocoa's pre-peak +21% comes with a post-peak -4% and is priced the other way today (-13% y/y). Henry Hub gas fell 14–34% from September to April in three of the four warm winters, but this year's magnitude is capped by 17–19 Bcf/d of LNG exports and record storage.

Fig. 5 Is it El Niño or just the season? The four events against the same calendar windows in non-El Niño years

Sugar's El Niño median (+13%) sits at the 81st percentile of non-El Niño years before the peak and its post-peak median (-24%) at the 13th; grains show no El Niño premium in either window





What the base rates imply for this event

Treat onset→peak as the "event discovery" premium and peak→+6m as the contest between confirming data and the next season. Sugar has collected the discovery premium; the remaining expected return depends on whether the path follows 2015-16 (India net importer) rather than 1997, 2009 or 2023 — we assign 25% to it, conditional on the 30 September policy and the October–November crush data. Until then the base case is "Q4 high, Q1 top", which is what the forward curve (Mar-27 tightest) already says. The control column adds a caution four observations cannot: sugar's post-peak median sits at the 13th percentile of non-El Niño years, but those years' interquartile range is −14% to +16%, so the reversal is a strong tendency, not a certainty.

5. Transmission: the markets El Niño touches

El Niño shifts tropical-Pacific rainfall: Indonesia, Malaysia, the Philippines, eastern Australia, India's monsoon and West Africa's harmattan zone tend to run dry, while Peru's coast, southern Brazil, Argentina and the southern United States run wet. Whether that becomes a price shock depends on six filters — *weather shock* × *crop-stage exposure* × *export concentration* × *stock tightness* × *policy reaction* × *substitution demand*. Fig. 7 lines up each crop's weather-critical window against the event's clock, and Table 3 summarises the seven markets that matter, with their supply concentration in the dry-side countries.

Fig. 7 Crop calendars against the El Niño clock: which crops are in their weather-critical window when the event peaks

Right-hand column = the direction of the supply effect we expect; approximate production / export shares in brackets

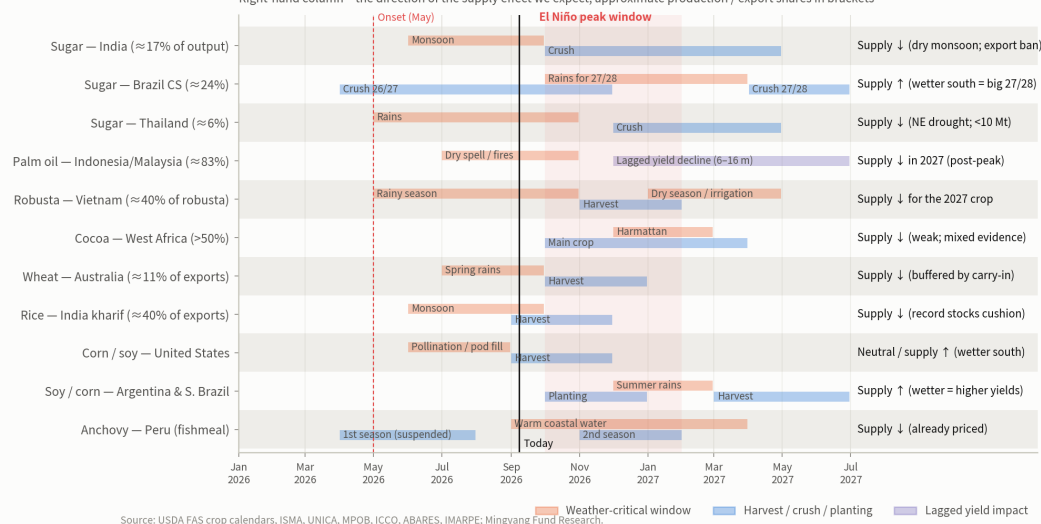


Table 3 The seven agricultural markets at a glance

Market	Supply concentration and channel (four-event response in Fig. 4)	State of play (September 2026)	Vehicle / our stance
Raw sugar	Brazil ≈24%, India ≈17%, Thailand ≈6%. A weak monsoon cuts Indian yields with a one-season lag and triggers export bans; north-east Thailand dries; southern Brazil gets wetter (bigger next crop). Policy amplifies. Onset→peak +13%, peak→+6m −24%	Monsoon −13% (Maharashtra −14%, UP −1%); export ban to 30 Sep; first import quota since 2017-18 (1 Mt); Thailand <10 Mt; Brazil 26/27 large but sugar-light (mix 42.5% vs 51%); balance −0.1 to −3.2 Mt; 18.07c, +12% May→Aug on monthly averages, +22% to spot	CANE (core), AGRO (overlay), BG (exiting sugar) — positive
Palm oil	Indonesia ≈59% + Malaysia ≈24% = 83% from two dry-side countries; yields fall with a 6–24-month lag; Indonesia's B50 mandate (1 Oct) absorbs 16–17 Mt. Onset→peak 0%, peak→+6m +12%	CPO RM4,977 (+11% y/y) despite 2.63 Mt Malaysian stocks; GAPKI sees 2027 Indonesian output 56.8 vs 58.5 Mt; >200,000 ha of fires; planters guide RM5,200 for Q1-27	No US vehicle; Malaysian / Singapore planters — watchlist , build after the peak

Market	Supply concentration and channel (four-event response in Fig. 4)	State of play (September 2026)	Vehicle / our stance
Robusta	Vietnam $\approx 40\%$; the Jan–Apr dry season needs irrigation water; drought hits the following crop. Event median -7%	Priced the other way: record Brazilian and world crops; London robusta at a 2¾-month low	None (JO delisted) — not a trade
Cocoa	Côte d'Ivoire $\approx 40\%$ + Ghana $\approx 13\%$; a harsher Dec–Feb harmattan reduces pod set; fixed farmgate prices break the supply response. Onset→peak $+21\%$, peak→+6m -4%	\$6,175/t (-13% y/y); early surveys -18% Ivorian crop, but ICE stocks at a two-year high; Hershey calls 2027 cocoa deflation "visible"	HSY / MDLZ the other way — watch ; short thesis withdrawn
Wheat	Australia $\approx 11\%$ of exports; nine of the ten driest eastern-Australian periods were El Niño years; Black Sea, Canada and the US plains unaffected or wetter. HRW onset→peak -19%	ABARES raised Australia to 29.9 Mt (-17% y/y but $+12\%$ vs June); the rally is Novorossiysk, not weather	WEAT — avoid
Rice	India $\approx 40\%$ of exports; kharif sown Jun–Jul; the 2023 shock was policy (Thai 5% $+23\%$ into that peak)	Indian export prices at a one-year high; FAO sees the first fall in world output since 2015/16; record Indian stocks, no new curbs so far	None
Fishmeal	Peru's anchovy; warm coastal water suppresses upwelling (1997-98 near-collapse). Onset→peak $+16\%$, peak→+6m -6%	First season closed at 24.6% of a cut quota; ENFEN 62% odds of an "extraordinary" coastal event; record \$2,990/t in June — largely priced	None (indirect: feed costs)

Shares approximate (USDA PSD, ISO, ICO, ICCO, FAO), latest full season. **Beyond agriculture**, the channels with the best base rates are priced or lack a vehicle: a warm US winter (Henry Hub -14 to -34% Sep→Apr in three of four events; capped this year by record storage and LNG exports), suppressed hurricanes (ACE 4.4, lowest since 1941; cat rates -16% YTD — priced), Panama Canal draft limits (no US vehicle), Andean hydro rationing risk (unpriced), copper (event median -11%) and EM food inflation (JPMorgan $+0.3$ pp to 2027). Noted, not expressed.

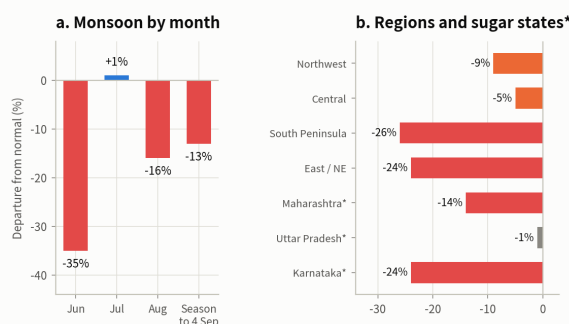
6. The sugar fundamental bridge: from the monsoon to the world balance

India: the monsoon is bad where it matters less, and merely mediocre where it matters most. The IMD's cumulative departure for 1 June–4 September is -13% (June -35% , July $+1\%$, August -16%). The split is decisive (Fig. 8): Maharashtra, the second-largest producer, -14% and Karnataka -24% , but Uttar Pradesh, the largest, -1% ; reservoirs are 70% full and IMD's September forecast is below normal. The 2025/26 season closes with ≈ 27.9 Mt of net output against 28–28.5 Mt of consumption and stocks of ≈ 3.0 – 3.5 Mt, a decade low. The government has notified a 1 Mt duty-free import quota (the first since 2017-18), imposed dealer stock limits and keeps the export ban "to 30 September 2026 or further orders"; the ethanol-diversion decision for 2026/27 is due by month-end. Estimates for 2026/27 range from ≈ 29 Mt (DAM Capital, implying ≈ 2 Mt of imports) to 32 Mt (Sucden); Goldman applies the 2015/16 analogue (cane yield -9%) and sees India possibly turning net importer. Domestic prices have shown the policy elasticity: Maharashtra ex-mill fell 30% in two weeks after Uttar Pradesh imposed and then revoked a price cap.

Brazil, Thailand, China — and the balance. Brazil's Centre-South 2026/27 is large but sugar-light: crush $+2\%$ but sugar -11.7% and ethanol $+14.7\%$, with the sugar mix at 42.5% versus 51%. The mechanism that matters for 2027 is the mix: hydrous ethanol at a season low puts ethanol parity near 13.3c/lb against sugar at 18c, a ≈ 4.7 c premium that will push mills to maximise sugar in 2027/28 — Hedgepoint already sees a record 43 Mt next season, and the wetter southern Brazil El Niño brings is the bear case twelve months out. Thailand's industry sees 2026/27 below 10 Mt (from ≈ 12 Mt). China is the demand offset: July imports -37% y/y, syrup imports $+51\%$. The EU beet crop is -19% . ISO's 1 September update is its first 2026/27 deficit (-0.2 Mt); Czarnikow, StoneX, Green Pool, Datagro, Covrig and Citi range from -0.1 to -3.2 Mt (median -1.3 Mt); USDA's $+4.8$ Mt dates from May (Fig. 9). The counter-evidence is also visible: Sucden sees the trade flow to April 2027 as "rarely so oversupplied" because Indian exports are banned while Brazilian and Thai exports are seasonally ample — a balance-sheet deficit is not a deliverable-spot deficit, which is a second reason Oct-26 trades below Mar-27. Fig. 10 puts numbers on each link of the chain.

Fig. 8 India's monsoon (1 Jun–4 Sep): -13% , but split where it matters

Maharashtra (#2 sugar state) -14% , Karnataka -24% ; Uttar Pradesh (#1) -1% — UP is the bear argument



Source: IMD (9/4 cumulative), Skymet, state data via Galaxy Futures (9/8); IMD Sep forecast below normal; Mingyang Fund Research.

Fig. 9 2026/27 balance: every commercial house now sees a deficit

The argument is the size (-0.1 to -3.2 Mt); USDA's $+4.8$ is pre-monsoon (next update Nov)



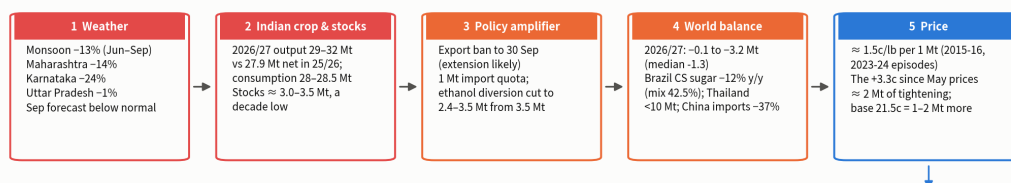
Source: ISO, Czarnikow, StoneX, Datagro, Green Pool, Covrig, Citi, USDA FAS via Barchart / Nasdaq / Vesper; Mingyang Fund Research.

Table 4 The 30 September policy tree (our probabilities; outcomes defined by their effect on the world balance)

Outcome	What it looks like	Prob.	World-price reading
Bearish surprise	Ethanol-diversion curbs release 2–3 Mt of sugar; imports fall short of the 1 Mt quota; the ban lapses into a "relaxed" regime; late-September rain lifts the season toward –10%	25%	Retrace to 15–16c on "no shortage" — the 1997 / 2009 / 2023 path. Maps to the 15c bear case
Base	Ban extended (formally or "until further orders"); ethanol diversion trimmed modestly (2.4–3.0 Mt); ≈1 Mt of imports arrive by October–November; Maharashtra's crush delayed to mid-October	50%	18–22c into Q1-27 as crush data confirm a 29–31 Mt crop; the market then looks to Brazil 2027/28. Maps to the 21.5c base case
Bullish	Net imports of 2 Mt or more; ban extended through 2027; ethanol diversion maintained on political grounds; Thailand confirms below 10 Mt	25%	The 2015-16 path — a second failed year keeps the rally alive to peak+10 months; 24–28c. Maps to the 26c bull case

Fig. 10 From the monsoon to equity value: the sugar transmission chain, with the numbers at each link

Each link can break independently — the 30 September policy decision (link 3) and Brazil's 2027/28 crop (link 4) are the two that matter most for the price



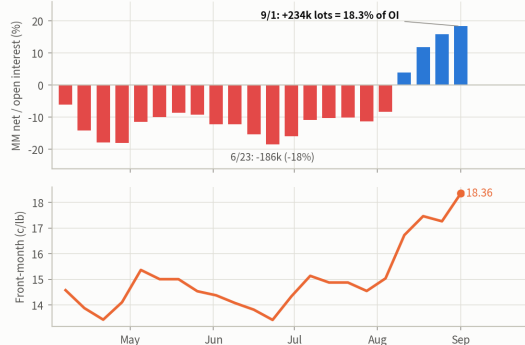
6 Vehicles: CANE — after the 29-Sep roll holds May-27 / Jul-27 / Mar-28 (35 / 30 / 35%); base +10.8%, probability-weighted +8.8% (net of carry). AGRO — 84% of FY27 sugar unhedged: 1c/lb = \$18.5M EBITDA = \$0.71/share at 5.5c; urea is the second driver (Table 6).

Source: IMD, ISMA/NFSCF, DGFT, ISO and trade houses, MAPA/UNICA, China customs; elasticity and vehicle sensitivities are Mingyang Fund Research estimates.

7. Positioning and the curve

Fig. 11 Positioning: a +420k-lot swing in ten weeks

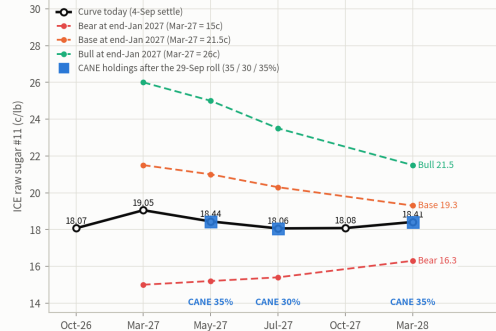
Managed-money net as % of total OI; long + short gross is a record (Czarnikow)



Source: CFTC Disaggregated Futures-Only, ICE Sugar No.11 (080732), Tuesdays 7 Apr – 1 Sep 2026; ICE settlements; Mingyang Fund Research.

Fig. 12 The curve today and at end-January in each scenario

CANE's deferred contracts move less than the front in a backwardation-led rally — and fall less in the bear case



Source: ICE settlements (9/4) via Czarnikow; Teucrium roll schedule (29 Sep 2026: Mar → Jul); Mingyang Fund Research scenario curves.

Positioning: short-covering plus fresh longs, now a record. Managed-money net raw-sugar positioning swung from –186k contracts (23 June, –18.5% of open interest) to +234k (1 September, +18.3%), a 420k-lot turn in ten weeks (Fig. 11); Czarnikow calls the week to 11 August the biggest one-week change in the speculative position it has ever seen and the gross long-plus-short a record. August's +21.5% was the largest monthly gain since October 2010. The short-covering phase is over — each new long now needs new information — and crowding already turns policy noise into 3% daily moves (–3.4% on 3 September when India halved dealer stock limits). Producers are on the other side: commercials added a record 153k shorts in the week to 11 August and 46k more in the week to 1 September, which caps rallies where Brazilian mills hedge 2027/28.

The curve already prices Q1-27 as the tightest point, and that shape is what CANE owns. Oct-26 18.07c → Mar-27 19.05c (+5.4% contango) → Jul-27 18.06c → Mar-28 18.41c: tightest in mid-crush India, easing as Brazil's 2027/28 comes into view (Fig. 12). Teucrium's benchmark holds the second- and third-to-expire contracts and the following March (35 / 30 / 35%); on 29 September it sells Mar-27 and buys Jul-27, so from October the fund holds May-27, Jul-27 and Mar-28 and has no exposure to the contract in which our headline scenarios are quoted. Selling Mar-27 at 19.05c to buy Jul-27 at 18.06c is a backwardated roll worth ≈1.9% of NAV if the spread holds — but the same backwardation means the fund captures only part of a rally led by the nearby contracts. Our end-January scenario curves steepen the backwardation in the bull case (Mar-27 26c, Mar-28 21.5c, as in November 2023) and flatten it in the bear case; those curves, not the headline prices, are what \$ 8 values.

8. Vehicle-level scenarios: what CANE and AGRO actually earn

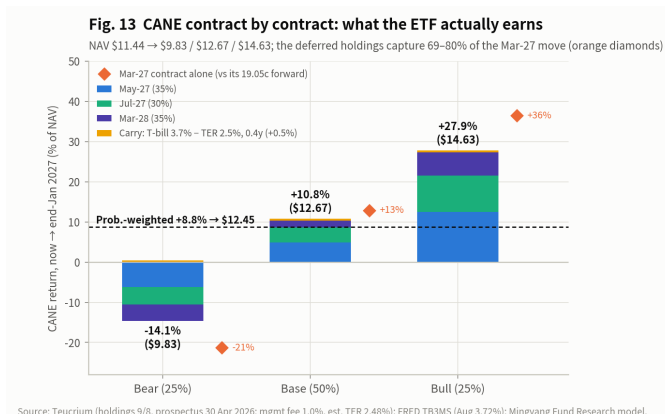
8.1 CANE, contract by contract

CANE's \$61.5M is fully collateralised: 1,005 Mar-27, 892 May-27 and 1,048 Mar-28 contracts (\$21.4M / \$18.4M / \$21.6M of notional) against an NAV of \$11.44 a share, with the collateral in Treasury bills. We value the fund by applying each scenario's end-January curve to the post-roll holdings, assuming the 29 September roll is executed at today's spreads, and adding carry — the T-bill yield (3.7%) less

the fund's estimated total expense ratio (2.48%; management fee 1.0%) over the 0.4-year window. Table 5 sets out the arithmetic and Fig. 13 decomposes it.

Table 5 CANE contract-level model (end-January 2027; prices in c/lb; contributions in % of NAV)

Holding after the 29-Sep roll	Price today	Weight	Bear curve	Base curve	Bull curve	Contribution: bear	base	bull
May-27 (second-to-expire)	18.44	35%	15.2	21.0	25.0	-6.2	+4.9	+12.4
Jul-27 (third-to-expire; bought at the roll)	18.06	30%	15.4	20.3	23.5	-4.4	+3.7	+9.0
Mar-28 (following March)	18.41	35%	16.3	19.3	21.5	-4.0	+1.7	+5.9
Gross futures return (memo: Mar-27 headline scenario 15.0 / 21.5 / 26.0)						-14.6	+10.3	+27.4
Carry: T-bill 3.7% – TER 2.48%, × 0.4 years						+0.5	+0.5	+0.5
Net return / NAV target (from \$11.44); probabilities 25 / 50 / 25%						-14.1% / \$9.83	+10.8% / \$12.67	+27.9% / \$14.63
Probability-weighted +8.8% net → \$12.45, +8.6% against the \$11.46 price. Memo: Mar-27 alone vs its 19.05c forward: -21% / +13% / +37%, PW +10.2%. The first edition's "+16%" compared end-January scenarios with the Oct-26 price of 18.07c — a mixed basis, now superseded.								



Reading the numbers. The deferred holdings capture 69–80% of the Mar-27 move in our curves, so the fund's probability-weighted return (+8.8%) is below the front contract's (+10.2%) — and well below the +16% that comparing an end-January scenario with today's Oct-26 price implied. The ordering of scenarios is unchanged and the asymmetry intact (bull +27.9% against bear -14.1%), but the base case is +10.8%, not +19%. Carry is close to a wash (+0.5% net over the window) because the fund's small size makes its total expense ratio ($\approx 2.5\%$) larger than its management fee. Liquidity is the operational constraint: daily turnover is a few million dollars, so size must be worked over days.

Sensitivities. A parallel shift of the whole curve would give -21% / +13% / +37%; a flatter bull curve (Mar-28 at 23c) adds ≈ 2.8 points to the bull case. Executing the roll after a rally changes little (the fund earns the pre-roll move on Mar-27 and pays it away on Jul-27); a collapse of the Mar/Jul backwardation before the roll would — it signals fading nearby tightness and sits in the monitoring panel (Table 10).

8.2 AGRO: the earnings bridge from sugar price to equity value

The thesis is the hedge book, and the bridge shows how much of it is sugar. Adecoagro has $\approx 75\%$ of 2026 sugar hedged at 15.7c but only $\approx 16\%$ of 2027 at 17.4c, so every cent above 17.4c in 2027 flows to the unhedged 84% of an FY27 volume we put at ≈ 1.0 Mt including the Caarapó mill acquired from Raízen on 1 September (3.5 Mt of crushing capacity, $\approx \$39$ per tonne). One cent per pound is $\approx \$18.5$ M of EBITDA, or \$0.71 a share at 5.5x EV/EBITDA. Table 6 and Fig. 14 build the scenarios line by line: the FY27 average sugar price (below the end-January point in the base and bull cases because Brazil's 2027/28 crop weighs on the second half of 2027), the realised price after hedging, the sugar-and-ethanol segment, fertilizer (Profertil's 1.32 Mt of urea with gas costs locked to 2027, $\approx \$1$ M of EBITDA per \$1/t), farming, the multiple, net debt and minorities.

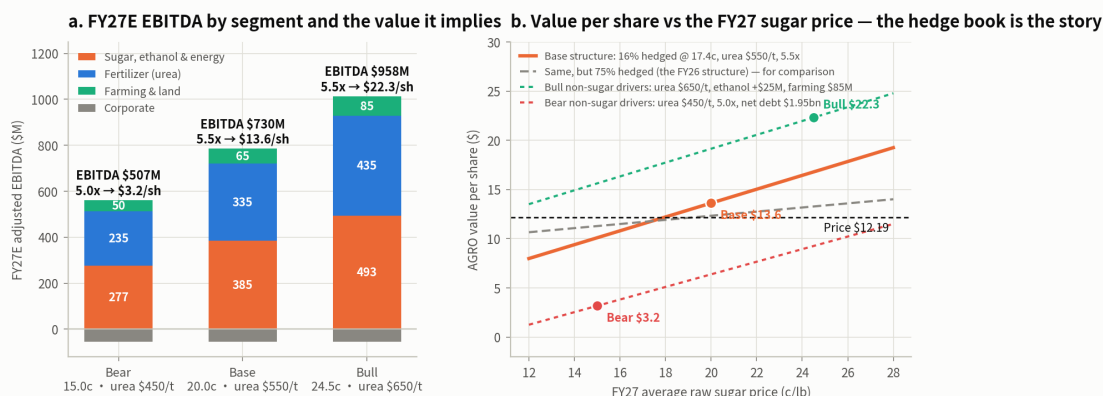
Table 6 AGRO FY27E earnings bridge (\$M unless stated; our estimates)

Line	Bear (25%)	Base (50%)	Bull (25%)
FY27 average raw sugar (c/lb) — end-January scenario 15 / 21.5 / 26c	15.0	20.0	24.5
Hedged 16% of volume at 17.4c → realised price (c/lb)	15.4	19.6	23.4
Sugar ≈ 1.0 Mt (2.2 bn lb) incl. Caarapó: Δ sugar EBITDA vs base at \$22M per cent	-93	0	+83
Ethanol and cogeneration vs base (hydrous ethanol tracks the sugar mix only partly)	-15	0	+25
Sugar, ethanol & energy EBITDA	277	385	493
Urea realised (\$/t; 2Q26 actual \$699, August FOB $\approx$ \$570) → Fertilizer EBITDA	450 → 235	550 → 335	650 → 435
Farming & land (Pampas crops, rice, dairy; a wetter Argentina) / Corporate	50 / -55	65 / -55	85 / -55
Consolidated adjusted EBITDA	507	730	958
EV/EBITDA (the bear multiple compresses as leverage rises) → enterprise value	5.0x → 2,537	5.5x → 4,015	5.5x → 5,271

Line	Bear (25%)	Base (50%)	Bull (25%)
Less net debt at end-2027 (\$1.69bn at 2Q26 pro forma, before Caarapó and FY27 cash flow) / minorities	1,950 / 130	1,900 / 150	1,850 / 200
Equity value → per share (144.3M shares) → vs \$12.19	457 → \$3.2 (-74%)	1,965 → \$13.6 (+12%)	3,221 → \$22.3 (+83%)
Probability-weighted \$13.2: +8.1% capital, +10.2% with the 2.1% dividend. Consensus (7 analysts): average Hold, targets \$13.1–13.4. Worst historical moves: –21.5% in five days and –32.8% in twenty (12 months to 8 Sep 2026); –15.1% in one day (April 2025 tender).			

Three conclusions follow. First, AGRO is a sugar-plus-urea vehicle: in the bull case sugar adds \$3.2 a share and urea \$3.8, and the bear case is as much about urea at \$450/t and a 5.0x multiple on \$1.95bn of net debt as about 15c sugar — financial leverage is what turns a –4c sugar move into a –74% equity outcome. Second, the expected return does not justify a core weight: +10.2% including the dividend against a worst historical week of –21.5% is a ratio of 0.48x (0.38x on capital return alone), against 1.0x for CANE (+8.8% against –8.8%). The stock is fairly priced with positive skew — a low-weight convex overlay whose job is the bull case. Third, **CANE and AGRO are one sugar factor**: their scenarios are the same scenarios, so a bear outcome hits both at once (\$9 sizes them jointly). Governance is the residual tail — the controlling shareholder owns ~70% after a 2025 tender and anchored a \$300M raise at \$7.25 in March 2026 — so any related-party transaction or further issuance is an unconditional exit, independent of sugar.

Fig. 14 AGRO earnings bridge: sugar price → realised price after hedging → EBITDA → EV → equity per share (\$3.2 / \$13.6 / \$22.3; PW \$13.2)
1c/lb on the 84% unhedged FY27 volume ≈ \$18.5M EBITDA ≈ \$0.71/share at 5.5x. In the bull case sugar adds \$3.2/share and urea \$3.8/share — AGRO is a sugar-plus-urea vehicle, not a pure sugar one

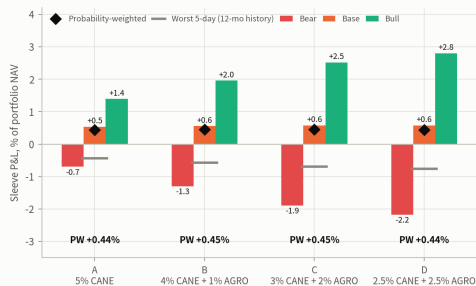


Source: Adecoagro 2Q26 results and hedge disclosure (2026: ≈75% @ 15.7c; 2027: ≈16% @ 17.4c), Caarapó acquisition (1 Sep 2026); Mingyang Fund Research FY27 model (Table 6). Net debt \$1.9bn, minorities \$150M, 144.3M shares.

9. Position sizing and joint scenario P&L

Fig. 15 Joint scenario P&L of illustrative 5% sleeves

Same sugar factor drives both legs; AGRO adds bull convexity at the cost of a deeper bear



Source: Mingyang Fund Research CANE and AGRO models (Tables 5–6); AGRO dividend pro-rated; worst 5-day from FMP daily closes (Sep 2025 – Sep 2026).

Fig. 16 Daily-return correlations, 12 months

Softs vehicles ≈ uncorrelated with equity beta; CF is the exception (253 days to 08 Sep 2026)

	AGRO	BG	CANE	DBA	CF	NTR	CTVA	HSY
S&P 500	-0.07	-0.03	-0.06	0.05	-0.28	-0.04	0.05	-0.06
Nasdaq	-0.04	-0.04	-0.02	0.08	-0.27	-0.07	-0.01	-0.19
Semis	-0.01	0.04	-0.02	0.04	-0.21	-0.03	-0.01	-0.22
Staples	-0.09	0.19	-0.15	-0.11	-0.04	0.08	0.24	0.57
Long US	-0.07	-0.05	-0.06	-0.08	-0.34	-0.20	0.07	0.17
Gold	0.03	0.09	0.07	0.06	-0.04	0.18	0.11	-0.00
Brazil	0.16	0.20	-0.06	0.11	-0.06	0.11	0.18	-0.00
Copper	0.02	0.11	-0.04	0.09	-0.03	0.17	0.10	-0.06

Source: FMP daily closes; Mingyang Fund Research calculation.

Diversification is real but small; expected value has to carry the position. Over the last twelve months the daily returns of CANE, DBA, AGRO and BG show correlations of –0.07 to +0.08 with the S&P 500, the Nasdaq 100 and semiconductors, and of 0.16–0.26 with each other; CF is the exception (Fig. 16). At a 5% weight in an equity book this changes portfolio volatility by less than a tenth of a point — useful, not a reason to own the sleeve. Because both legs load on the same sugar factor we size them jointly: Table 7 shows four illustrative 5%-of-NAV structures under the same three scenarios (Fig. 15). The probability-weighted P&L is almost identical across them (+0.44 to +0.45% of NAV); what the AGRO share buys is skew — a bull case of +2.0% rather than +1.4% of NAV for structure B — at the price of a deeper bear (–1.3% rather than –0.7%) and a larger one-week gap exposure that no stop protects against. AGRO adds convexity, not expected value.

Table 7 Illustrative sleeves (5% of NAV), scenario P&L in % of portfolio NAV

Structure	Bear (25%)	Base (50%)	Bull (25%)	Prob.-weighted	Worst 5-day (history)	Character
A: 5% CANE	-0.70	+0.54	+1.39	+0.44	-0.44	Pure commodity beta; no operating or governance tail; liquidity must be worked
B: 4% CANE + 1% AGRO	-1.30	+0.56	+1.96	+0.45	-0.57	Beta plus a small convex overlay — the structure this note's numbers support
C: 3% CANE + 2% AGRO	-1.89	+0.58	+2.52	+0.45	-0.69	More skew; bear case approaching -2% of NAV; AGRO gap risk dominates
D: 2.5% CANE + 2.5% AGRO	-2.18	+0.58	+2.80	+0.44	-0.76	Equal weights: the same expected value as A with three times the bear-case loss

Scenario returns: CANE -14.1% / +10.8% / +27.9% (Table 5); AGRO -74% / +12% / +83% plus a pro-rated dividend (Table 6); the same scenario is applied to both legs. Worst 5-day = the sum of each leg's worst rolling five-day return over 5 Sep 2025 – 8 Sep 2026 (CANE -8.8%, AGRO -21.5%). Expected-return-to-worst-week ratios: CANE 1.0x, AGRO 0.48x (0.38x capital-only). Illustrative only; not a recommendation of any weight. **The timing rule matters more than the sizing rule:** a position built now carries a price invalidation (Mar-27 below 15c ≈ CANE \$9.8; AGRO below \$10), a data-based confirmation set for adding, and a calendar exit at the December CPC confirmation of the peak, closed by end-January 2027 unless India has turned net importer (Table 9).

Palm oil: on the watchlist, to be built after the ONI peak

The palm chain has the best base rate in the theme and no US-listed vehicle, and its clock is the opposite of sugar's: price highs came 5–13 months after the ONI peak in the four events because trees respond to drought with a lag, and Indonesia's B50 mandate (from 1 October) removes 16–17 Mt from the export market on top of the weather. Rather than value KLK, SD Guthrie, IOI and Wilmar on partial data, we carry them as a watchlist with three activation conditions: (i) the December CPC confirmation of the ONI peak; (ii) MPOB stocks turning down from the Q4 seasonal high with fresh-fruit-bunch yields falling year on year; (iii) CPO holding above RM4,500 through the production peak. A first-half-2027 note would take the planters through the same bridge as AGRO (CPO price → realised price after levies → EBITDA per hectare → multiple). Stocks above 3.0 Mt with CPO below RM4,200 would say the 2027 narrative is early.

Table 8 Other vehicles (prices 4 Sep close unless noted; consensus per Zacks / StockAnalysis)

Ticker	Price	Mkt cap • fwd P/E	Consensus PT (n) • next print	1y vol • worst 5d	Our read
BG	\$125.32*	\$22.8B • 12.2x	\$141 (9) • 4 Nov	32% • -14.1%	Conditional. FY27E EPS \$7.30 / \$9.76 / \$12.44 × 9.5 / 11.5 / 12.5x → \$69 / \$112 / \$155; PW \$112. Multiples: 9.5x is what the market paid for peak earnings in 2022-23 (8–9x on \$13+ of EPS), 11.5x the five-year median forward multiple, 12.5x today's on raised guidance (\$9.25–9.75). Crush margins are strong for non-El Niño reasons (RVO clarity, a record July crush); Bunge is selling its Brazilian sugar mills to COFCO. Attractive below \$110 or on oilseed confirmation (Australian canola losses, a narrower palm-soy spread, a lasting Black Sea premium)
DBA	\$28.85	\$1.47B • —	—	11% • -3.8%	Not an expression. Corn 13%, soybeans 13%, cattle 13%, hogs 10%, wheat 7%, softs ≈ 15% (sugar 6%); \$609M of six-month inflows are the crowd's version of the theme, weighted to crops El Niño leaves neutral or lower
CF	\$133.35	\$20.2B • 9.6x	\$125 (21) • 4 Nov	43% • -11.1%	Watch. +69% YTD on tight urea and gas costs (consensus EPS cut 6.7% in a month); second-order to El Niño (farm income; a warm winter → cheaper US gas); already re-rated
NTR / MOS / CTVA	\$79 / \$26 / \$88	15.8 / 40.4 / 23.6x	\$76 / \$26 / \$92 • 3–4 Nov	—	Watch; avoid MOS. Second-order, +12–24% since June; MOS is on the wrong side (drought slows potash demand)
HSY / MDLZ	\$173 / \$61	\$35B / \$80B • 20.4x	\$206 (23) • 29 / 27 Oct	—	Watch; short thesis withdrawn. Hershey raised FY26 EPS to \$8.36–8.52 and has "good visibility into cocoa deflation for 2027"; a squeeze needs the Dec-Feb harmattan to fail badly — a 2027 story with weak base-rate support
DE / AGCO; grain ETFs	\$694	\$187B • 38.3x	\$685 (24) • 25 Nov	—	Avoid. Not on the transmission chain; Deere and AGCO call 2026 the bottom of the equipment cycle; grains are neutral-to-lower in El Niño years. They still rallied 17–22% since June on flow — "not on the chain" is not a short thesis

*8 September intraday, after +5.4% on Viteria integration commentary.

10. Catalysts, actions and exits

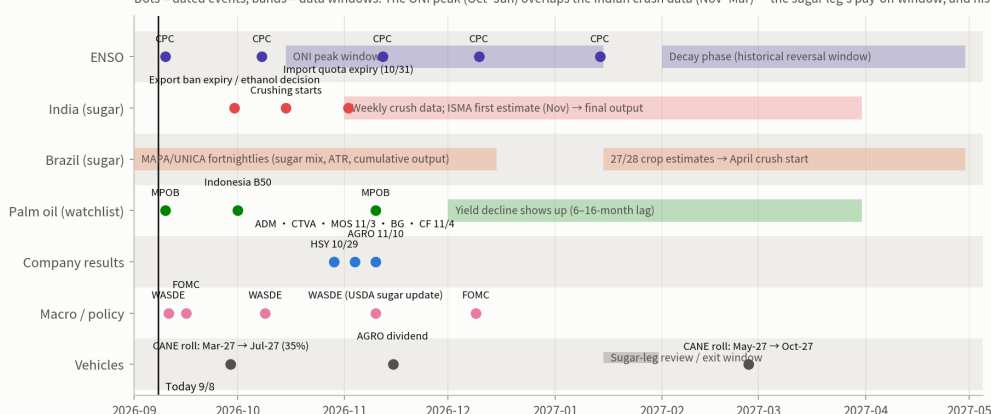
Table 9 Catalyst-to-action matrix: how each data point moves our probabilities, and what a position built now does (calendar in Fig. 17)

Catalyst	When	Signal	Bear / base / bull (now 25 / 50 / 25)	Action
India export ban extended ("until further orders"); ethanol diversion trimmed only modestly (2.4–3.0 Mt)	By 30 Sep	Base branch of Table 4 confirmed; import quota fully allocated	20 / 55 / 25	ADD CANE to full size from a half position; hold AGRO

Catalyst	When	Signal	Bear / base / bull (now 25 / 50 / 25)	Action
Ethanol-diversion curbs release 2–3 Mt, or the ban lapses with exports permitted	By 30 Sep	Bearish branch: "no shortage" — the 1997 / 2009 / 2023 path from a higher start	55 / 35 / 10	EXIT CANE immediately; halve AGRO, review at 10 Nov
Late-monsoon rain: season closes at –8% or better with Maharashtra recovering	To 30 Sep	The 2023 precedent; crop estimates drift to 31–32 Mt	40 / 45 / 15	TRIM CANE by half; tighten the price invalidation to 16.5c
ISMA first estimate at or below 30 Mt; crush start delayed; recovery rates below last year	Nov	Base validated by hard data; the 2015–16 path stays open	15 / 50 / 35	HOLD ; add only if net imports reach 2 Mt — the sole condition for extending the window past end-January
ISMA at or above 32 Mt, or early recovery rates above last year	Nov	"No shortage" wins; deficit estimates converge on ISO's –0.2	45 / 45 / 10	TRIM half; the rest runs to the December CPC confirmation with a 16.5c stop
Sugar fails to rise on bullish data: record managed-money long with the price below its 20-day average for a week	Any time	Flow has overtaken fundamentals — the bearish divergence of a crowded market	Bear +10 points	TRIM half regardless of the data; do not add back until the net long has fallen 25%
Brazil MAPA / UNICA: sugar mix reverting toward 50%; cumulative Centre-South sugar above 40 Mt	Fortnightly to Dec	The ≈4.7c sugar-over-ethanol premium is pulling supply forward	35 / 45 / 20	TRIM half of the sugar leg
CPC confirms the ONI peak ("past peak" language in the monthly discussion)	Dec–Jan	Historically the month reversals begin (±1), unless India is importing	Window closes	BEGIN EXIT ; close the sugar leg by end-January unless India's net imports are at or above 2 Mt
Brazil 2027/28 estimates at or above 43 Mt with normal rain and the mix back at 48–50%	Jan–Mar	The scheduled end of the sugar leg; the 2027 palm narrative begins	2027 bear for sugar	CLOSE the sugar leg; activate the palm watchlist
AGRO 3Q26: FY26 EBITDA path at or above \$680M with sugar above 19c; 2027 hedge ratio still at or below 25%	10 Nov	The operating-leverage case confirmed and still open	AGRO base ↑	HOLD / ADD AGRO within the overlay weight; if 2027 hedges have been raised to 40%+ at the curve, the leverage case has been sold — TRIM
AGRO: FY26 path below \$570M; leverage above 3.2x; any related-party transaction or equity issuance	Any time	Balance-sheet or governance tail firing	—	EXIT AGRO unconditionally (the sugar thesis is untouched; use CANE)
Weekly Niño3.4 below +2.0°C for four consecutive weeks, or CPC calling the peak before November	Mondays	The event is decaying early — the pre-peak framing collapses for every leg at once	40 / 45 / 15	HALVE the whole sleeve

Fig. 17 Catalyst calendar (Sep 2026 → Apr 2027): the trade window is before the event peak; the confirming data arrive after it

Dots = dated events; bands = data windows. The ONI peak (Oct–Jan) overlaps the Indian crush data (Nov–Mar) — the sugar leg's pay-off window, and historically where reversals start



Source: NOAA CPC release schedule; ISMA/UNICA/MPOB conventions; Teucrium roll schedule; company reporting dates (Zacks/FMP estimates); Mingyang Fund Research.

Table 10 Monitoring panel: eight indicators, current state, and what would change our mind

Indicator	Current state	Reference / context	Thesis impact	Next update
Niño3.4 weekly; upper-ocean heat content	+2.6°C traditional (+1.8 relative), 31 Aug weekly; heat content +3.22°C (Aug)	1997 and 2015 in August ≈ +1.65°C; heat content a record since 1979	Supports strength; four weeks below +2.0°C or a peak call before November breaks the pre-peak framing	Mondays; CPC 10 Sep, 8 Oct
India monsoon (cumulative departure)	–13% to 4 Sep; Maharashtra –14%, Karnataka –24%, UP –1%	–14% (2015) and –22% (2009) preceded 12–15% cane-yield losses; 2023's –6% did not	Base needs a close at –10% or worse; –8% or better with Maharashtra recovering is the bear branch	IMD to 30 Sep
India sugar stocks (1 Oct opening)	≈3.0–3.5 Mt estimated	Decade low; 5.5–6 Mt is normal	Tight stocks make every policy move price-relevant; above 4 Mt softens the import case	ISMA / NFCSF Oct

Indicator	Current state	Reference / context	Thesis impact	Next update
Brazil Centre-South sugar mix	42.5% cumulative (vs 51%)	Ethanol parity $\approx$ 13.3c vs sugar 18c: a $\approx$ 4.7c premium to maximise sugar	Mix reverting toward 50% is the supply response and the scheduled end of the leg	UNICA / MAPA fortnightly
Managed-money net / open interest	+234k lots = 18.3% (1 Sep)	From -18.5% on 23 Jun; gross long + short a record	Crowding turns fundamentals into flow: the divergence rule (Table 9), 3% daily moves	CFTC Fridays
Mar-27 / Jul-27 spread; Oct-26 / Mar-27	+0.99c backwardation; +0.98c contango	The curve's "Q1-27 tightest" shape; CANE's 29 Sep roll earns $\approx$ 1.9% if it holds	Mar/Jul backwardation collapsing before the roll = nearby tightness fading; widening = confirmation	Daily
2026/27 balance estimates	Median -1.3 Mt (range -0.1 to -3.2); USDA +4.8 (May)	ISO's first deficit call on 1 Sep; the price implies $\approx$ 2 Mt of tightening since May	Base needs -1 to -3 Mt validated by Oct-Nov data; convergence on -0.2 supports the bear branch	ISO Nov; USDA Nov; houses monthly
AGRO 2027 hedge ratio	$\approx$ 16% at 17.4c (2Q26 disclosure)	2026: $\approx$ 75% at 15.7c	If management locks 2027 at 19-20c the operating leverage — the overlay's job — disappears	3Q26 results, 10 Nov

11. Forecast ledger and what would make us wrong

Table 11 Dated, falsifiable forecasts (scored in follow-up notes: early October, mid-November, end-January)

Forecast	Resolves	Our probability	Scoring source
India's 2026/27 gross sugar output (ISMA first estimate) at 29-31 Mt; at or above 32 Mt: 20%; below 29 Mt: 20%	Nov 2026	60%	ISMA first advance estimate
India's export ban extended beyond 30 September (formally or "until further orders")	30 Sep 2026	70%	DGFT notification
India's net sugar imports reach 2 Mt or more by end-January 2027	31 Jan 2027	25%	DGFT / trade data
Mar-27 raw sugar settles at or above 21c on at least one day before 31 January 2027 (at or above 25c: 25%; at or below 15c: 25%)	31 Jan 2027	60%	ICE settlements
CANE trades at or above \$12.50 on at least one day before 31 January 2027	31 Jan 2027	55%	Exchange closes
Brazil Centre-South 2027/28 sugar estimates of 42 Mt or more are the consensus by end-February 2027	28 Feb 2027	60%	Datagro / Hedgepoint / StoneX
Malaysian CPO (BMD third-month) is higher in June 2027 than in the ONI peak month (December 2026)	30 Jun 2027	60%	BMD settlements
Adecoagro FY26 adjusted EBITDA at or above \$630M (our base)	Mar 2027	55%	4Q26 release

What would make us wrong. The event decays early: models overshot in 2014; if the weekly Niño3.4 rolls over before November the pre-peak framing collapses and the softs premium unwinds in weeks — below 10% given record heat content, but it hits every leg at once. **Brazil offsets everything, again:** 2023 showed that a record Centre-South crush plus an Indian ethanol decision can reverse sugar in the peak month; a 43 Mt 2027/28 estimate arriving in January with the mix already reverting would reproduce the 1997 / 2009 / 2023 path from a higher start. **Crowding turns fundamentals into flow:** a record managed-money long can liquidate on a risk-off day regardless of Indian data. **India recovers:** late rain and Uttar Pradesh's normal season produce a 31-32 Mt crop and the ethanol lever caps prices. **AGRO-specific:** controlling-shareholder actions, the Brazilian real, Argentine policy, or a decision to lock 2027 sugar at today's curve would each break the unhedged-FY27 argument without touching the sugar thesis.

Appendix: data, method and sources

Method and data. ENSO: ONI v6 (ERSSTv6, 1950-JJA 2026), monthly Niño indices (OISST, 1991-2020 base) and equatorial upper-ocean heat content (180°-100°W) from NOAA CPC. Strong events: peak ONI $\geq$ +1.5°C with at least five consecutive seasons $\geq$ +0.5°C inside the price record (1992 onward; 1991-92, which peaked as the record begins, is excluded); onset = NOAA's declaration month, peak = the event's ONI maximum. Commodity prices: IMF Primary Commodity Prices via FRED, monthly averages, Jan 1992 – Jul 2026; the August 2026 sugar average (16.55c) is our estimate from ICE Tuesday settlements (16.63c) and the CANE August/July ratio (16.48c); spot values are labelled and never mixed with monthly averages. Non-El Niño control: every year 1992-2025 with no ONI season $\geq$ +0.5°C inside the window, pooled across the four events' calendar windows. Options: risk-neutral lognormal, 30% implied volatility, 0.4 years, on the Mar-27 forward (front-month ATM IV $\approx$ 32%, Barchart); skew ignored. Positioning: CFTC Disaggregated Futures-Only, ICE Sugar No. 11 (080732), 7 Apr – 1 Sep 2026. Equities: FMP daily closes (8 Sep 2026 intraday); correlations and worst moves over 5 Sep 2025 – 8 Sep 2026 (253 days). Models: CANE per Table 5 (Teucrium holdings 8 Sep, prospectus 30 Apr 2026); AGRO per Table 6 (hedge ratios from the 2Q26 disclosure); BG FY27 EPS at 9.5 / 11.5 / 12.5x.

Sources by section. § 2-3: NOAA CPC ENSO Diagnostic Discussion (13 Aug 2026) and weekly update (31 Aug 2026); IRI (19 Aug); JMA (10 Aug); BoM (1 Sep); WMO (3 Sep); ICE settlements via Czarnikow (4 and 7 Sep); Barchart; FRED TB3MS (Aug). § 4: IMF via FRED (to Jul 2026); NOAA climate.gov ENSO blog (2015, 2023). § 5: USDA FAS and PSD; ISO; ICO; ICCO (31 Aug); FAO (4 Sep); ABARES (1 Sep); WASDE (12 Aug); MPOB (10 Aug); GAPKI (3 Sep); IMARPE / ENFEN (28-30 Aug); CPC winter outlook (20 Aug); EIA STEO (Aug); Panama Canal Authority (20 Aug); XM (7 Sep); JPMorgan (24 Jul). § 6-7: IMD (4 Sep), Skymet, CWC (3 Sep); ISMA / NFCSF (2 Sep); DGFT (14 May); DAM Capital; Sudden (10 Aug); Goldman Sachs (3 Sep); MAPA / UNICA (Aug); Conab (20 Aug); Hedgepoint (19 Aug); ISO (1 Sep); Czarnikow (11 and 17 Aug, 4 and 7 Sep); StoneX (18 Aug); Datagro (Sep); Green Pool (28 Aug); Covrig (3 Aug); Citi (25 Aug, 1 Sep); Thai Sugar Millers Corp (8 Sep); China customs (Jul); CFTC (1 Sep). § 8-9: Teucrium (holdings 8 Sep; prospectus 30 Apr 2026; roll schedule); Adecoagro 2Q26 results and call (11 Aug), releases (27 Aug, 1 Sep); UBS (27 Aug); Bunge Q2 (29 Jul), release (1 Sep), Barclays conference (8 Sep); Hershey Q2 (30 Jul); Mondelez Q2 (28 Jul); Deere Q3 (20 Aug); AGCO Q2 (30 Jul); ADM, CF, Nutrien, Mosaic, Corteva Q2 releases; Zacks; StockAnalysis; FMP. **Sell-side framing (Table 1):** two Chinese broker notes of 23 Aug 2026 (El Niño, grain prices and agricultural inputs; Black Sea supply risk); Morgan Stanley (12 Aug); Goldman Sachs (22 Jun); Citi; Barclays (29 Aug). All dates 2026 unless stated.

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