



**INTERMARKET
UNIVERSE (IU)**
COMMODITY DEEP DIVE SERIES

JUNE 2026



COCOA FUTURES

BUY-SIDE ASSESSMENT AT THE
POST-CRASH INFLECTION POINT

IU THESIS: EARLY SETUP / MONITOR



SUPPLY

COI 2.2 MMT
But Disputed



POSITIONING

MM Net Short
3-Year Extreme



WEATHER

El Nino
Confirmed



CURVE

Backwardation
Persists



Cocoa has fallen ~67% from its December 2024 record high. The bearish consensus is fully priced. The collision between a 3-year spec short extreme and a confirmed El Nino creates a coiled spring for short-covering.

IU posture: EARLY SETUP / MONITOR.

KEY TAKEAWAY



SECTION

TABLE OF CONTENTS

Eleven analytical sections. Three parts. One thesis.

●	Executive Summary & Scenario Summary	3 - 4
●	Key Metrics at a Glance	5
■	PART I -- SUPPLY, DEMAND & WEATHER	
I	Price Action & Market Context	6
II	West African Supply Framework	7 - 8
III	Demand Fundamentals -- Grindings & Chocolate Industry	9
IV	Weather & El Nino -- The Pivotal Swing Factor	10 - 11
■	PART II -- POSITIONING, STRUCTURE & REGULATION	
V	COT / CFTC Positioning Analysis	12 - 13
VI	Futures Curve Structure & Term Structure Analysis	14
VII	Regulatory & Structural Factors (EUDR, LID, Farmgate)	15 - 16
VIII	Intermarket Context & Rolling Correlation	17 - 18
■	PART III -- THESIS, RISK & ACTION FRAMEWORK	
IX	Bull Case -- Structural Long Arguments	19
X	Bear Case & Risk Factors	20
XI	IU Positioning Framework & Entry Triggers	21 - 23
●	Scenario Matrix & Catalyst Calendar	23
■	REFERENCE	
●	IU Research Verdict	24
●	Glossary of Key Terms	25 - 26

Posture and entry framework are presented in Part III. The Research Verdict synthesizes the analytical block and specifies the next scheduled trigger window. This report uses the Intermarket Universe Commodity Sentiment Index (CSI) and a defined activation-trigger framework to determine when, and only when, the contrarian setup matures into an actionable opportunity.

SECTION

EXECUTIVE SUMMARY

Cocoa enters the third week of June 2026 in the aftermath of one of the most violent commodity cycles in modern history. From a pre-2024 trading range of roughly \$1,500 -- \$3,500/tonne that persisted for over four decades, prices rocketed to an all-time high of **\$12,931/tonne in December 2024**. Three consecutive deficit years drove the move, culminating in the catastrophic 2023/24 shortfall -- a record 492,000-tonne deficit, the largest in over 60 years according to the International Cocoa Organization (ICCO). The collapse has been equally dramatic: a roughly 67% peak-to-trough decline to a March 2026 low near \$2,846.

The market now sits in its second consecutive surplus year. ICCO's May 2026 Quarterly Bulletin pegs 2024/25 at a 48,000-tonne surplus, with production of 4.723 million tonnes against grindings of 4.628 million tonnes. Cote d'Ivoire raised its full 2025/26 delivery estimate to 2.2 million tonnes. StoneX projects a 2025/26 surplus of 247,000 tonnes and a 2026/27 surplus of 149,000 tonnes. The bearish supply story is largely priced. The question is what comes next.

The case for paying closer attention is not in the macro narrative -- it is in the physical market signals that the macro narrative is systematically underweighting. ICE-certified stocks have rebuilt to a 1.75-year high near 190,000 tonnes. Yet the futures curve remains in **backwardation** -- meaning buyers are paying a premium for cocoa delivered now rather than later. That is a signal of immediate physical tightness, and it contradicts the surplus headline. Professional speculative positioning has been driven to a **net short of 27,286 contracts** on the June 9 Commitments of Traders (COT) report -- the most bearish reading in more than three years. NOAA officially declared El Nino conditions on June 11, with a 63% probability of a "very strong" event persisting through winter 2026-27 -- a meaningful threat to the 2026/27 main-crop harvest cycle that the market has not yet priced.

This report does not call a bottom and does not recommend deploying capital at this time. What it identifies is an early-stage setup: the bearish consensus is fully expressed in price, while the bullish micro signals are being systematically ignored. That configuration historically precedes durable trend reversals in weather-sensitive agricultural commodities -- but only when confirmed by specific physical and positioning triggers. The ~7% single-day rally on June 16 -- triggered by El Nino confirmation and short-covering -- demonstrated the mechanical coiled-spring dynamic this report tracks. The job of this report is to define the activation triggers explicitly, build the analytical watchlist, and establish what evidence would convert a *monitor* posture into a *tactical accumulate* posture in a subsequent IU note. Until those triggers fire, the appropriate stance is patience.

3-6 MONTH SCENARIO SUMMARY

SCENARIO	PROBABILITY	KEY CONDITION	PRICE TARGET
EARLY REVERSAL (Bull)	30%	El Nino damages 2026/27 West African crop; spec short unwinds violently; EUDR disrupts flows; October pod counts disappoint	\$6,000 -- \$8,000+
BASE CASE Range / Drift	45%	2025/26 surplus weighs but thins; El Nino risk premium prevents return to lows; demand slowly stabilizes; chop in \$3,500 -- \$4,800 band	\$3,500 -- \$4,800
CONTINUED DOWNTREND	25%	Benign weather; 2.2 MMT Ivorian crop materializes fully; Western demand stays weak; dollar strengthens; ICE stocks build past 195K tonnes	\$2,800 -- \$3,400

SECTION

KEY METRICS AT A GLANCE

METRIC	VALUE	CONTEXT / SIGNAL
Spot Price (CCU26, Sept)	~\$4,250/t	~67% below Dec 2024 ATH; bounced off March low
All-Time High	\$12,931/t (Dec 2024)	Three consecutive deficit years + panic buying
YTD 2026 Return	~(35)%	Sustained corrective decline from blow-off top
March 2026 Low	~\$2,846/t	~78% peak-to-trough; key support level
2024/25 Balance (ICCO)	+48,000t surplus	First surplus in 4 years; down from +75K Feb est.
2025/26 Surplus (StoneX)	+247,000t	Cut from +287K in Jan; shrinking with each revision
2026/27 Surplus (StoneX)	+149,000t	Cut from +267K; weather-dependent and fragile
CDI 2025/26 Delivery Est.	2.2 MMT	Raised from 1.8-1.9 MMT; disputed by CCC data
ICE Certified Stocks	~190,000 tonnes	1.75-year high; rebuilding but low by historical std
Curve Structure	Backwardation	Nearby premium; contradicts surplus narrative
MM Net Short (Jun 9)	(27,286) contracts	3-year bearish extreme; contrarian bullish setup
Total Open Interest	~203,246	Thin market; amplifies volatility both directions
NOAA ENSO Status	El Nino Advisory (Jun 11)	63% very strong; 96% persistence through DJF
USDGHS (Ghana Cedi)	~GHS 10.25	Cedi appreciation = farmer margin squeeze

SECTION I

PRICE ACTION & MARKET CONTEXT

2024-2026 Price Narrative

To understand where cocoa stands today, it helps to understand what drove it here. Cocoa's run from mid-2023 through December 2024 was the most consequential repricing in the contract's modern history. After trading in a roughly \$1,500 -- \$3,500/tonne range for over four decades, ICE Cocoa (CC) front-month futures broke above the 1977 all-time high of \$5,104 in early 2024. Prices then doubled by mid-year and reached an all-time intraday high of **\$12,931/tonne on December 18, 2024** -- surpassing any prior peak by a factor of 2.5x.

Three drivers converged. First, a multi-year drought and erratic rainfall across West Africa's cocoa belt -- Cote d'Ivoire, Ghana, Cameroon, and Nigeria -- destroyed flowering and pod development across successive seasons. Second, the accelerating spread of cocoa swollen shoot virus disease (CSSVD) and black pod disease reduced productive acreage in both Ghana and Cote d'Ivoire. Third, chronic underinvestment in replanting left the region's tree stock aging -- many plantations exceed 25 years, well past peak productivity -- creating a structural supply ceiling that price signals alone cannot quickly reverse. The 2023/24 deficit was 492,000 tonnes per ICCO, the largest in over 60 years.

What changed in late 2024 and into 2025-26 was the supply outlook, not the structural backdrop. The 2024/25 West African growing season delivered favorable rainfall, particularly in Cote d'Ivoire, which saw cumulative port arrivals surge well above prior-year levels. The market flipped from a record deficit to back-to-back surpluses. ICCO's May 2026 bulletin pegs 2024/25 at a 48,000-tonne surplus, and StoneX projects surpluses of 247,000 tonnes for 2025/26 and 149,000 tonnes for 2026/27. That re-rating was the catalyst for the collapse that has now removed roughly 67% of cocoa's value from its December 2024 peak.

Cocoa enters mid-June 2026 trading at approximately **\$4,250/tonne** after a sharp ~7% single-day rally on June 16, triggered by NOAA's El Nino Advisory and a violent short-covering squeeze. The market spent May -- June 2026 chopping in a roughly \$3,700 -- \$4,800 band, testing the March 2026 low of ~\$2,846 as macro support and the 1977 high of ~\$5,104 as overhead resistance. It is neither cheap nor expensive on a cycle basis -- but on a contrarian setup basis, the price has fully reflected the bearish consensus, while the physical and positioning data continue to send a different signal.

~\$2,846

MARCH 2026 LOW

~\$4,250

CURRENT (JUN 16)

~\$4,777

MAY 2026 HIGH

\$12,931

ALL-TIME HIGH
(Dec 18, 2024)

SECTION II

WEST AFRICAN SUPPLY FRAMEWORK

Cocoa is the most geographically concentrated major commodity. Cote d'Ivoire and Ghana together account for roughly 60% of global production, with Cameroon, Nigeria, and Ecuador making up another ~20%. This concentration means that West African weather, disease, governance, and farmgate economics are not one input among many -- they are *the* supply story. Any credible assessment of cocoa's direction begins and ends here.

Cote d'Ivoire -- The World's Swing Producer

Cote d'Ivoire (~40 -- 45% of world supply) has driven the bearish narrative. Cumulative port arrivals reached roughly 1.95 million tonnes by June 7, 2026 -- up about 18.9% year-on-year on Bloomberg's reading (the CCC's official tally was ~1.82 MMT, itself +11%). On May 14, the country raised its full 2025/26 delivery estimate to 2.2 MMT, up from a prior 1.8 -- 1.9 MMT range, citing favorable weather during the main crop and a strong mid-crop start. This is the headline number driving the surplus consensus.

However, a significant data dispute clouds the picture -- not over the size of the crop, but over *how much of it remains unsold*. The Ivorian government reported unsold inventories above 350,000 tonnes, while the CCC's figure was far lower at ~123,000 tonnes. The discrepancy exceeds 225,000 tonnes, a material volume relative to the global balance. Both agencies are working from the same physical arrivals data; the disagreement centers on how much of the delivered crop has been sold forward under existing export contracts versus how much remains uncommitted in warehouses. A higher unsold figure (the government's reading) implies more potential supply overhang and future selling pressure. A lower unsold figure (the CCC's reading) implies the surplus has been largely absorbed by trade-house forward purchases, with the physical market tighter than the headline arrivals suggest. This report treats both numbers with caution and does not accept either as settled fact -- but notes that the resolution of this dispute carries meaningful implications for the forward price path.

The 2026/27 outlook is where the story turns. Early field surveys show below-average cherelle (young pod) formation. Heavy rain and winds reportedly blew away flowers during the critical pollination window, and pod counters report fields with fewer pods after earlier drought damage. Cote d'Ivoire has sold ~950,000 -- 1,000,000 tonnes of 2026/27 main-crop forward contracts but has slowed sales and lifted its premium from zero to at least GBP 100/tonne, citing El Nino risk. This is a clear signal: the world's largest producer expects a tighter market into the October 1 season start.

Ghana -- Structural Fragility

Ghana (world #2) is recovering off a disastrous 2023/24 season in which output fell to roughly 425,000 -- 531,000 tonnes, the lowest in two decades. COCOBOD targets ~650,000 tonnes for 2025/26; USDA FAS is more optimistic at 750,000 tonnes. But the institution is in financial crisis, carrying tens of billions of cedis in liabilities, and its credibility is damaged after a ~45% production-forecast miss in 2023/24 that triggered approximately \$1.3 billion in rollover losses on pre-sold forward contracts. Governance dysfunction, not just weather, is now a structural supply risk in Ghana.

Structural Issues Across the Region

Several structural factors cap the speed of any supply recovery regardless of price signals:

FACTOR	STATUS	IMPACT
Aging Tree Stock	Many plantations >25 years	Past peak productivity; declining yields
CSSVD (Swollen Shoot)	Spreading across CDI and Ghana	No cure; requires replanting (5-year lag)
Black Pod Disease	Endemic in humid conditions	10 -- 30% crop loss in affected areas
Illegal Mining (Galamsey)	Encroaching on cocoa land	Permanent loss of agricultural acreage
Under-Replanting	Chronic across West Africa	Replanted trees take ~5 years to bear
Fertilizer Access	Cost-prohibitive at current farmgate	Lower yields per hectare vs. potential

Other Origins -- The Ecuador Offset

Nigeria (#5 producer) is expected to fall ~11% to 305,000 tonnes in 2025/26. Ecuador continues rapid expansion -- exceeding 570,000 tonnes with targets of 650,000+ by 2027 -- and is the key structural offset to West African fragility, benefiting from agroforestry yields (~800 kg/ha vs. sub-500 kg/ha in aging West African plantations). However, Ecuadorian cocoa is predominantly the CCN-51 variety, not the fine-flavor Forastero and Trinitario grades that dominate West African output. The substitution is imperfect.

SECTION III

DEMAND FUNDAMENTALS -- GRINDINGS & CHOCOLATE INDUSTRY

High prices clearly destroyed demand, but the picture is now bifurcating geographically. The global grindings data for Q1 2026 tells a story of two markets: the West continues to contract, while Asia has surprised to the upside -- the first concrete evidence that demand destruction may be bottoming.

REGION / SOURCE	Q1 2026 GRINDINGS	YoY CHANGE	IU SIGNAL
Europe (ECA)	325,852 tonnes	(7.8)%	Decade low; demand destruction persists
North America (NCA)	106,087 tonnes	(3.8)%	Declining but pace moderating
Asia (CAA)	223,503 tonnes	+5.2%	Upside surprise vs. (6.7)% consensus
Malaysia (within CAA)	Included above	+8.7%	Leading the Asian recovery

Full-year 2025 European grindings (1.327 MMT) were down ~6.1% versus 2024 and roughly 11 -- 12% below the 2020 -- 2022 peak. Sucafina's Martijn Bron cautions that, given the high prices consumers still face, material demand recovery should not be expected before the second half of 2026, and possibly not before H1 2027. The Asian surprise -- particularly the Malaysian +8.7% -- is analytically important because it demonstrates that demand elasticity varies significantly by region and that the bearish "demand destruction" narrative is over-generalized.

Chocolate Industry Commentary

Major chocolate companies confirm persistent cost pressure but also consumer resilience. Mondelez reported sharply lower 2025 earnings due to cocoa costs, with adjusted EPS pressured more than 10%, and guided to muted 0 -- 2% organic revenue growth for 2026. The company's 2026 cocoa is largely hedged at elevated levels, with CEO Dirk Van de Put signaling margin relief would not arrive until 2027. Hershey, where cocoa represented approximately 20% of COGS in 2024, raised prices by low-double-digits. Both report that consumers have so far absorbed price hikes, with chocolate characterized as a defensible "indulgence" category -- though Circana data showed North American chocolate candy sales down ~1.3% in early 2026.

Exchange Stocks

ICE-certified stocks have rebuilt to a ~1.75-year high near 190,000 tonnes (approximately 2.9 million 65-kg bags) -- a clear bearish signal of improving near-term availability, even if low by longer-term historical standards. The trajectory of this rebuild is the single most important demand-side variable: a peak and rollover in ICE stocks would be a powerful confirmation of physical re-tightening; continued building past 195,000 tonnes would validate the surplus narrative and undercut the bullish case.

SECTION IV

WEATHER & EL NINO -- THE PIVOTAL SWING FACTOR

This is the single most consequential variable for cocoa over the next 12 months. Weather is the pivotal swing factor because it directly determines whether the 2026/27 main crop -- which begins harvest from October -- delivers the surpluses that the bearish consensus requires, or whether it disappoints badly enough to flip the market back toward deficit.

El Nino Confirmed

On June 11, 2026, NOAA's Climate Prediction Center upgraded to an **El Nino Advisory** -- conditions are present, not merely likely. NOAA forecasters predict a **63% chance that sea-surface temperatures will exceed 2.0 degrees C** above normal in the Nino-monitored region -- the threshold for a "very strong" El Nino. CPC has noted the event could "rank among the largest in the historical record going back to 1950." The probability of El Nino persisting through the critical December -- January -- February winter window is 96%.

El Nino and West African Cocoa: The Historical Link

El Nino tends to bring heat and below-normal rainfall to West Africa's cocoa belt -- particularly the Gulf of Guinea region where Cote d'Ivoire and Ghana concentrate production. The mechanism operates through disrupted monsoon patterns: El Nino weakens the West African monsoon, reducing precipitation during the critical flowering and pod-development phases. This was directly implicated in major cocoa production declines in 2016 and 2024. The Harmattan -- the dry, dusty Saharan wind that blows through West Africa from November to March -- tends to intensify during El Nino years, further stressing mid-crop development.

EL NINO EPISODE	INTENSITY	COCOA IMPACT
2023-2024	Strong	Contributed to record 492K-tonne deficit
2015-2016	Very Strong	Severe drought; major production decline
2009-2010	Moderate	Mixed; partly offset by La Nina rebound
2006-2007	Weak/Moderate	Modest negative impact on mid-crop
1997-1998	Very Strong	Significant yield reduction in West Africa

Current Ground Conditions

The 2025/26 mid-crop has benefited from above-average rainfall, supporting the supply recovery narrative. However, the risk window for the all-important 2026/27 main crop is opening exactly as El Nino intensifies. Earlier in 2026, drought monitors showed dry conditions across more than half of Cote d'Ivoire and about two-thirds of Ghana. Early cherelle (young pod) counts are running below average, with reports of heavy rain and wind blowing away flowers during the critical pollination window. Pod counters in the field report fewer pods per tree after prior drought damage.

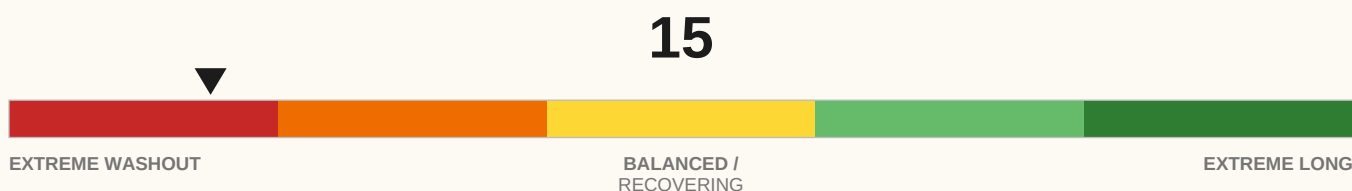
What would invalidate the weather-risk read: If the El Nino fizzles to neutral by September 2026 (currently a 37% probability for the non-very-strong outcome), and if October main-crop pod counts come in at or above average, the weather premium evaporates and the surplus narrative re-asserts control. El Nino strength forecasts carry real uncertainty through the spring predictability barrier; a 63% "very strong" probability is meaningful but not certainty.

SECTION V

COT / CFTC POSITIONING ANALYSIS

Every week, the U.S. Commodity Futures Trading Commission publishes a snapshot of who is betting on higher cocoa prices and who is betting on lower ones. The picture as of June 9, 2026 tells a specific story: professional speculators have built the most bearish position in over three years, and the market is mechanically coiled for a short-covering squeeze.

IU Commodity Sentiment Index (CSI) -- Cocoa



CSI = 15 -- Extreme Washout, Contrarian Bullish Territory

With a CSI score of 15, the cocoa market sits deep in the contrarian zone -- the territory from which durable trend reversals statistically tend to originate. Managed-money net shorts have reached **(27,286) contracts as of June 9, 2026** -- up 6,175 on the week and the most bearish reading in more than three years. The combined NY + London fund net short was reported around 47,000 lots (reported secondhand, not fully verified against primary exchange data). In a thin, low-open-interest market (~203,000 contracts), this extreme short positioning is exactly the fuel for a violent short-covering rally -- which began on June 15-16 with a ~7% single-day spike.

The COT Anatomy

The CFTC publishes weekly Commitments of Traders data covering the major participant categories in Cocoa futures. As of June 9, 2026:

COT CATEGORY	LONGS	SHORTS	NET	SIGNAL
Managed Money (MM)	~15,000	~42,300	(27,286)	3-year bearish extreme
Producer / Merchant	~65,000	~40,600	+24,426	Normal commercial hedging
Swap Dealers (est.)	~20,000	~35,000	~(15,000)	Structural commercial short
Other Reportables	~18,000	~12,000	~+6,000	Smaller funds; neutral
Total Open Interest	203,246	--	--	Thin; amplifies vol both ways

Total open interest at ~203,000 contracts is meaningfully below the cycle highs when cocoa was trading near \$12,000. The market is not being abandoned -- it is being de-positioned. That distinction matters: a collapsing open interest would signal disinterest and reduce the fuel for any reversal; stable open interest

with extreme net-short specs preserves the asymmetry. The net short represents roughly 13.4% of open interest -- a significant directional bet in a market this thin. The put/call premium ratio is heavily skewed toward puts (~37:1 on one near-dated snapshot), confirming the bearish lean across both futures and options.

Contrarian mechanics. When managed money is this short in a weather-sensitive agricultural market, the setup is textbook: a single adverse weather headline, crop report, or data miss forces shorts to cover simultaneously in a thin book, producing outsized moves. The June 16 rally demonstrated this mechanism in real time. The question is whether it was a one-day event or the beginning of a larger unwind.

How to Monitor the Unwind in Real Time: OI + Volume

For subscribers actively watching this market, the interaction between daily volume and total open interest is the diagnostic tool for distinguishing a mechanical short-covering rally from genuine new buying -- and the distinction is operationally decisive for position sizing and entry timing.

PRICE ACTION	OPEN INTEREST	VOLUME	DIAGNOSIS
Rising	Falling	Spike (2x+ avg)	Short covering -- existing shorts buying back to exit; mechanical fuel will exhaust; take partial profits on strength
Rising	Rising	Spike (2x+ avg)	New buying -- genuine new longs being initiated; rally has structural follow-through; add on confirmed momentum
Rising	Flat	Normal	Ambiguous -- could be rotation, not conviction; wait for confirmation
Falling	Rising	Spike	New selling -- fresh shorts being initiated; bearish pressure intensifying

The June 16 rally was almost certainly a short-covering event: volume spiked sharply on a positive weather headline while the prior week's COT showed open interest roughly stable. If subsequent sessions show rising prices with *rising* open interest, the move is transitioning from mechanical to structural -- new capital is entering, not just old capital exiting. That transition is the upgrade signal from *monitor* to *accumulate*. Monitor the weekly COT release (every Friday for Tuesday's data) alongside daily volume and open interest to track this evolution.

SECTION VI

FUTURES CURVE STRUCTURE & TERM STRUCTURE ANALYSIS

The cocoa futures curve sends a signal that contradicts the bearish consensus. Despite back-to-back surplus headlines, the curve remains in **backwardation** -- nearby contracts priced above deferred -- a structure that reflects still-depleted physical availability and the cost of immediately deliverable beans.

What the Curve Says

In a commodity market pricing two consecutive surplus years, the "normal" curve shape would be *contango* -- deferred contracts priced above nearby, reflecting the cost of carry (storage, insurance, financing) and the expectation of ample future supply. Cocoa's persistent backwardation tells us the physical market is not behaving like a surplus market, regardless of what the headline balance sheets say. Buyers are willing to pay a premium for beans available now over beans promised for later delivery, which implies that the surplus -- if it exists at the scale forecasted -- has not yet translated into comfortable physical availability. (A contributing factor: backwardation in cocoa can be partly sustained by logistics friction -- container freight squeezes and vessel scheduling delays out of West African ports -- rather than purely by aggregate supply tightness. The signal is real but not exclusively supply-driven.)

IU KEY INSIGHT

The Curve Contradicts the Consensus

A futures curve that prices backwardation during a forecast surplus year is internally inconsistent. Either the curve is wrong -- overpricing nearby scarcity that will resolve within 60-90 days as the surplus arrives. Or the surplus consensus is wrong, and the 2025/26 and 2026/27 balances will prove materially tighter than headline forecasts suggest. Both cannot be correct simultaneously. The resolution of this inconsistency will define the next major directional move in cocoa. A sustained break into contango would confirm the bearish narrative. A deepening of backwardation -- particularly as El Nino intensifies into the 2026/27 main-crop window -- would confirm re-tightening and invalidate the surplus thesis.

Backwd.

CURVE
STRUCTURE

~\$2,846

MARCH 2026
LOW

~190K t

ICE STOCKS
(TONNES)

Since Q4 '24

BACKWARDATION
PERSISTENT

What would invalidate the curve read: A clean break to contango -- meaning deferred contracts trading above nearby at any point in the front 12 months -- would be a definitive technical confirmation that the surplus is materializing physically and that the backwardation signal was a lagging artifact of prior tightness. A flattening of the curve combined with ICE stocks building past 195,000 tonnes would reinforce the bearish interpretation.

SECTION VII

REGULATORY & STRUCTURAL FACTORS (EUDR, LID, FARMGATE)

Two regulatory and structural dynamics are reshaping the cocoa market in ways that may not be fully priced: the EU Deforestation Regulation (EUDR) and the collapse of the farmgate pricing floor in West Africa.

EU Deforestation Regulation (EUDR)

The EUDR -- twice delayed -- now applies to large operators from **December 30, 2026** and to micro/small operators from June 30, 2027 (Regulation (EU) 2025/2650). The European Commission has confirmed it will not reopen the text. A simplification review report was delivered and an IT-system relaunch began in June 2026. The regulation requires that cocoa (and six other commodities) imported into the EU must be verified as not contributing to deforestation after December 31, 2020, with full traceability to the plot of land of origin.

The market impact is already visible: EUDR-compliant beans command premiums reportedly between \$80 -- \$150/tonne, creating a two-tier physical market. Ghana has reported ~50,000 tonnes piling up at ports due to traceability gaps. The December 2026 implementation deadline for large operators is a credible supply-disruption catalyst -- any shortfall in compliance infrastructure could redirect trade flows, strand non-compliant inventory, and temporarily tighten the EU-accessible supply pool precisely as the 2026/27 main crop enters the market.

The compliance asymmetry also favors non-West African origins. Ecuador, which possesses a highly digitized agroforestry supply chain and GPS-tracked plot-level traceability, is structurally positioned to capture incremental EU market share from origins with traceability gaps. This trade-flow bifurcation is itself a price-support mechanism: EUDR-compliant beans from Ecuador and select Southeast Asian producers will command premiums, while non-compliant West African inventory may be redirected to less regulated markets at discounted prices. The net effect is a tighter EU-accessible supply pool even if global aggregate supply is in surplus.

Farmgate Economics -- The Price Floor Has Cracked

Both West African governments slashed farmgate prices in early 2026 to restore export competitiveness after world prices fell below their fixed farmgate levels:

COUNTRY	ACTION	NEW PRICE	EFFECTIVE DATE
Ghana	~28.6% farmgate cut	GHS 41,392/tonne	Feb 12, 2026
Cote d'Ivoire	~57% mid-crop price cut	CFA 1,200/kg	Mar 4, 2026

Reconciling farmgate cuts with backwardation. An apparent contradiction: if the futures curve signals physical tightness (backwardation), why did world prices fall far enough below domestic floors to force

farmgate cuts? The answer is timeline. The spot price collapse was driven by the surplus narrative and record speculative selling through late 2025 and early 2026, which temporarily overwhelmed domestic forward-sales programs. Governments set fixed farmgate prices seasonally based on prior-period world prices; when the spot market moved faster than the pricing cycle, the floor cracked. The backwardation, by contrast, is a forward-looking signal reflecting depleted pipeline stocks and delivery logistics that have not yet caught up with the headline surplus. These are not contradictory signals -- they describe different time horizons of the same market dislocation.

The \$400/tonne Living Income Differential (LID) and origin/quality premiums were effectively waived or reduced to move unsold stock. This is structurally important: the producer-pricing floor that supported farmgate economics has cracked. Lower farmgate prices risk discouraging farmer investment in fertilizer, maintenance, and replanting -- planting the seeds of future supply tightness even as the current surplus fills warehouses.

Separately, Fairtrade's updated Living Income Reference Prices -- Cote d'Ivoire CFA 1,758/kg, Ghana GHS 45.4/kg -- take effect October 2026 and will create additional pressure on trade-house margins if world prices remain at current levels or decline further.

Structural Implications

The combination of EUDR compliance costs, collapsing farmgate prices, and the LID waiver creates a perverse feedback loop. Farmers receive less income, invest less in their trees, and output per hectare declines. The structural supply deficit that produced the 2024 price explosion then re-emerges on a 2 -- 3 year lag. The market is currently pricing the short-term surplus while ignoring the medium-term consequences of the policies adopted to manage it. This is a classic commodity-cycle dynamic -- the cure for low prices is low prices -- and it argues for a higher structural floor than pre-2024 levels even in the bearish scenario.

SECTION VIII

INTERMARKET CONTEXT & ROLLING CORRELATION

No asset exists in a vacuum. Cocoa's price is shaped by its relationships to currencies, competing commodities, and the broader macro environment. The health of those relationships tells us whether the current price level is supported by genuine market structure or is vulnerable to a sentiment shift.

Intermarket Context Table

MARKET	CURRENT LEVEL	YTD / TREND	RELATIONSHIP TO CC	IU READ
DXY (US Dollar)	~99.4	Off highs; recent weakness	Inverse; weaker USD supports CC	Bullish -- Jun 16 USD dip triggered rally
USDGHS (Ghana Cedi)	~GHS 10.25	Cedi appreciating	Inverse; strong GHS squeezes farmer margins	Mixed -- bullish price but bearish farmer incentive
CFA Franc (UEMOA)	EUR-pegged	Stable	CDI sheltered from FX volatility	Neutral
ICE London Cocoa	~GBP 3,200/t	Correlated; backwardated	Strong positive; arb channel	Confirming -- London also backwardated
Sugar #11 (SB)	~\$0.15/lb	Range-bound	Weak positive; West African softs	Neutral -- not confirming weakness
Coffee (KC)	~\$2.60/lb	Bear trend; bottoming	Moderate positive; El Nino correlation	Constructive -- similar setup
WTI Crude	~\$70/bbl	Range-bound	Indirect: freight and fertilizer costs	Neutral; not a primary driver

DXY -- The Immediate Catalyst Channel. The US dollar matters directly: a weaker dollar supports cocoa and other commodities priced in USD. The June 15-16 rally was partly triggered by the DXY falling to a one-week low. For cocoa, the USD relationship is less structurally dominant than it is for coffee (which has the direct BRL/farmer hold-back mechanism) but is an important short-term catalyst, particularly for triggering spec short-covering.

Ghana Cedi Appreciation -- The Hidden Squeeze. The cedi's sharp move to ~GHS 10.25/USD compounds farmer pain by shrinking local-currency receipts even as dollar prices fall. Combined with the COCOBOD farmgate cut, this double squeeze on farmer income is exactly the dynamic that discourages replanting and maintenance investment, setting up the next tightening cycle.

Rolling Correlation Analysis

The table below measures how closely cocoa prices tend to move with related markets. A reading near +1.0 means the two move together; near -1.0 means they move in opposite directions; near zero means they move independently.

ASSET PAIR	30-DAY	90-DAY	12-MONTH	IU SIGNAL
CC vs. DXY	-0.45	-0.38	-0.31	Strengthening inverse; USD catalyst channel active
CC vs. KC (Coffee)	+0.52	+0.48	+0.35	Moderate positive; shared El Nino driver
CC vs. London Cocoa	+0.92	+0.90	+0.88	High and stable; arb channel intact
CC vs. Sugar #11	+0.18	+0.22	+0.15	Weak; cocoa idiosyncratic vs. softs
CC vs. WTI Crude	+0.08	+0.05	+0.12	Negligible; not a macro-driven trade
CC vs. USDGHS	-0.35	-0.28	-0.22	Inverse; cedi strength = farmer pressure

Methodology: Estimated rolling Pearson correlations on daily closing price data (CC front-month, KC front-month, DXY index, ICE London Cocoa, Sugar #11, WTI, USDGHS) through June 9, 2026. IU Research estimates based on publicly available market data. Point estimates carry standard sampling uncertainty and should be interpreted directionally rather than as precise measurements. Note that cocoa's realized volatility exceeded 50 -- 60% during this cycle, which naturally degrades the statistical stability of short-window (30-day) Pearson metrics; the 90-day and 12-month windows are more reliable regime indicators.

SECTION IX

BULL CASE -- STRUCTURAL LONG ARGUMENTS

The following five arguments support a constructive reversal thesis. Each is grounded in a specific, trackable catalyst rather than a generic valuation call.

El Nino crop damage. A strong El Nino materially damages the 2026/27 West African main crop, flipping the global balance back toward deficit. The record spec short unwinds violently. Historical precedent: the 2015-16 very strong El Nino contributed to severe production declines.

EUDR supply disruption. The December 2026 compliance deadline disrupts EU-bound trade flows, stranding non-compliant inventory and temporarily tightening the EU-accessible supply pool. Ghana's ~50,000 tonnes already stuck at ports is the leading indicator.

Structural disease and replanting lag. CSSVD and black pod continue to spread. Aging tree stock limits yield recovery. Replanting takes ~5 years to produce meaningful volume. The structural supply ceiling holds even as cyclical surpluses materialize.

Spec short-covering squeeze. With managed money at a 3-year net-short extreme in a thin market, any catalyst produces outsized upside moves. The June 16 rally was a preview. A sustained break above \$4,777 (May high) would confirm momentum and trigger systematic covers.

Asian demand recovery. Q1 2026 Asian grindings (+5.2%) suggest the bottom in demand destruction may already be in, at least regionally. If Western grindings stabilize by H2 2026, the demand denominator improves.

SECTION X

BEAR CASE & RISK FACTORS

The following five arguments support continued weakness. Each should be weighed against the bull case above before any position is sized.

Benign weather. El Nino fizzles to neutral, the 2026/27 main crop delivers at or above trend, and the surplus materializes in full. ICE stocks build past 195,000 tonnes. The backwardation collapses into contango.

Full Ivorian crop materialization. The 2.2 MMT Ivorian delivery estimate proves accurate (or conservative), resolving the data dispute in favor of the bearish reading. Unsold inventories are worked down through aggressive pricing.

Continued Western demand destruction. European and North American grindings continue to decline through H2 2026 as consumers trade down from chocolate or manufacturers reformulate with lower cocoa content.

Stronger dollar. A risk-off dollar rally (DXY above 102-103) compresses commodity prices broadly and adds headwind to cocoa specifically.

Ghana distressed selling. COCOBOD's financial crisis forces distressed sales of cocoa inventory at below-market prices to meet debt obligations, adding unexpected supply to an already-surplus market.

SECTION XI

IU POSITIONING FRAMEWORK & ENTRY TRIGGERS

IU's approach to cocoa is defined-risk, catalyst-driven, and staged. The current posture is **EARLY SETUP / MONITOR** -- not yet a full long, but the asymmetry is beginning to favor accumulation on weakness. Below we define the specific triggers that would upgrade or downgrade that posture.

TRIGGER CONDITIONS -- ADD & TRIM FRAMEWORK

ACTION	TRIGGER	THRESHOLD	RATIONALE	CONF.
ADD	El Nino confirmed strong	Nino 3.4 > 1.5C through autumn	Historical precedent for crop damage	HIGH
ADD	October pod counts disappoint	Below-average cherelle formation	Direct evidence of 2026/27 shortfall	HIGH
ADD	ICE stocks peak and roll over	Decline from ~190K tonnes	Physical re-tightening confirmed	MED
ADD	Sustained break above \$4,777	Weekly close above May high	Technical momentum; systematic covers	MED
TRIM	El Nino fizzles to neutral	ENSO Neutral by Sep 2026	Weather premium evaporates	HIGH
TRIM	ICE stocks build past 195K tonnes	>195K tonnes sustained	Surplus materializing physically	HIGH
TRIM	Contango break	Deferred > nearby sustained	Surplus confirmed in curve structure	MED
TRIM	DXY breakout	DXY > 102-103	Strong dollar compresses commodities	MED

PRICE LEVEL FRAMEWORK

ZONE	PRICE RANGE	IU ACTION	KEY SUPPORT / RESISTANCE
Aggressive Add Zone	\$2,800 -- \$3,200	Size up; structural floor	March 2026 low; pre-2024 range ceiling
Accumulate Zone	\$3,200 -- \$3,800	Core position building	Surplus-discounted entry; pullback zone
Hold / Monitor	\$3,800 -- \$4,800	Hold; monitor triggers; no add	Current range; May high resistance
Selective Trim	\$4,800 -- \$5,500	Reduce tactical overweights	1977 ATH zone; overhead resistance
Major Resistance	\$5,500 -- \$6,500	Reassess; crowding risk	Requires deficit confirmation to hold

Recommended Expression. Given ~57% front-month implied volatility, favor call spreads or outright calls over outright futures to cap downside in the bear scenario. Long-dated (Dec 2026 / Mar 2027) structures best capture the 2026/27 El Nino window while limiting carry bleed. Position sizing should reflect the demonstrated potential for 7%+ single-day moves in either direction -- this is a structurally volatile market.

SECTION XI

SCENARIO MATRIX & CATALYST CALENDAR

The calendar below maps the key data releases and events that will resolve the analytical uncertainties identified in this report. Each event is assigned the scenario it most directly impacts and its expected directional force.

DATE / WINDOW	EVENT	FAVORS	IU WATCH FOR
Jun -- Jul 2026	NOAA monthly ENSO updates	Bull if strengthening	Nino 3.4 trajectory; very strong confirmation
Jul 2026	Q2 2026 regional grindings (ECA, NCA, CAA)	Bull if Asia holds; Bear if EU worsens	Asian demand confirmation; EU stabilization signal
Aug -- Sep 2026	CDI mid-crop quality reports; pod counter surveys	Bull if below-avg cherelle counts	2026/27 crop size early estimates
Oct 2026	Main-crop harvest begins; pod counts crystallize	Decisive for bull/bear	THE critical data window; defines 2026/27 balance
Oct 1, 2026	Fairtrade Living Income Reference Prices take effect	Structural	Trade-house margin impact; farmgate dynamics
Dec 30, 2026	EUDR large-operator deadline	Bull if disruption; Neutral if smooth	Trade flow disruption; compliance readiness
Q1 2027	2026/27 crop size confirmation	Decisive	Surplus vs. deficit resolution

SECTION

IU RESEARCH VERDICT

IU KEY INSIGHT

Cocoa (CC) -- Early Setup / Monitor

The cocoa market has completed the most violent correction in its history, falling ~67% from the December 2024 all-time high to the March 2026 low. The bearish consensus -- back-to-back surpluses, record Ivorian arrivals, weak Western grindings -- is fully priced and well-understood. What is not priced is the collision between a record-bearish speculative position (managed money net short at a 3-year extreme) and an emerging El Nino (NOAA Advisory issued June 11, 2026; 63% chance of very strong through DJF 2026-27). Together, these create a coiled spring for short-covering -- one the June 16 rally already demonstrated in real time. The 2026/27 crop balance is precariously thin and entirely weather-dependent. Below-average cherelle counts are the first tangible bullish tell. IU's posture is EARLY SETUP -- not yet a full long, but the asymmetry has shifted from 'avoid' to 'begin building a watchlist position.' Accumulate on pullbacks toward \$3,500 -- \$3,800. Stage entries against weather catalysts. Use defined-risk options structures. The decisive signal is October 2026 main-crop pod counts.

30 / 45 / 25

BULL / BASE / BEAR

15

CSI SCORE

\$3,500-\$3,800

ACCUMULATION
ZONE

Oct 2026

NEXT KEY
TRIGGER

Posture upgrades and downgrades:

Upgrade to TACTICAL LONG if: October pod counts come in below average AND ICE stocks peak and roll over AND El Nino is confirmed strong (moderate intensity or greater through autumn 2026). All three conditions must be present.

Downgrade to AVOID if: The 2.2 MMT Ivorian crop is confirmed delivered in full AND El Nino fizzles to neutral AND ICE stocks keep climbing past 195,000 tonnes with Western grindings still falling AND the curve breaks cleanly into contango. Any two of these four would warrant a downgrade to MONITOR with reduced conviction.

Next Scheduled Review: Following Q2 2026 regional grindings release (expected mid-July 2026) and the next NOAA ENSO Diagnostic Discussion. An interim note will be issued if El Nino is confirmed as very strong or if October pod counts materially disappoint.

This report is for analytical and research purposes only and does not constitute investment advice. Cocoa futures are volatile instruments with demonstrated potential for 7%+ single-day moves. Position sizing and risk management are the responsibility of the individual reader. Intermarket Universe assumes no liability for trading decisions made on the basis of this analysis.

SECTION

GLOSSARY OF KEY TERMS

Backwardation -- A futures curve shape where nearby contracts trade at a premium to deferred contracts, typically signaling tight physical supply.

COCOBOD -- Ghana Cocoa Board -- the state agency responsible for regulating and marketing Ghana's cocoa production, including setting farmgate prices.

Contango -- A futures curve shape where deferred contracts trade at a premium to nearby, reflecting storage costs and ample supply expectations.

COT (Commitments of Traders) -- Weekly CFTC report detailing the positions held by different categories of futures market participants.

CDI -- Common shorthand for Cote d'Ivoire, the world's largest cocoa producer at roughly 40 -- 45% of global supply.

CCC (Conseil du Cafe-Cacao) -- Cote d'Ivoire's cocoa and coffee regulatory body, responsible for farmgate pricing, marketing, and quality control.

Cherelle -- A young, developing cocoa pod. Cherelle counts in the field are an early indicator of the upcoming harvest's size.

CSI (Commodity Sentiment Index) -- IU's proprietary normalized positioning score (0-100) derived from COT data, where lower scores indicate bearish extremes and higher scores indicate bullish extremes.

CSSVD (Cocoa Swollen Shoot Virus Disease) -- An incurable viral disease of cocoa trees transmitted by mealybugs, requiring affected trees to be cut and replanted.

El Nino -- A climate pattern characterized by above-average sea-surface temperatures in the central and eastern Pacific, associated with disrupted rainfall in West Africa's cocoa belt.

ENSO -- El Nino-Southern Oscillation -- the coupled ocean-atmosphere system that produces El Nino and La Nina events.

EUDR (EU Deforestation Regulation) -- EU legislation requiring that specified commodities imported into the EU be verified as not contributing to deforestation after December 31, 2020, with full traceability.

ICE (Intercontinental Exchange) -- The exchange where cocoa futures contracts are traded; both New York (CC) and London cocoa contracts.

LID (Living Income Differential) -- A \$400/tonne premium added to the price of cocoa from Cote d'Ivoire and Ghana, intended to improve farmer incomes.

Managed Money -- In COT reporting, the category encompassing hedge funds, CTAs, and other professional speculative traders.

MMT -- Million metric tonnes -- the standard unit for measuring global cocoa production, grindings, and stock volumes.

Nino 3.4 Region -- The Pacific Ocean area (5N-5S, 170W-120W) monitored by NOAA to classify El Nino and La Nina events.

Open Interest -- The total number of outstanding (not yet offset) futures contracts at a given point in time.