INTERMARKET UNIVERSE (IU)
COMMODITY DEEP DIVE SERIES

COFFEE
FUTURES

Contrarian assessment of Arabica at the late-stage downtrend

JUNE 2026

IU THESIS: MONITOR / EARLY SETUP

NOT YET ACTIONABLE – AWAITING TRIGGER CONFIRMATION

SUPPLY
Brazil 2026/27 Record Crop

INVENTORY
ICE Stocks at 6-Month Lows

POSITIONING
MM Net Long Washed Out

CURVE
Backwardation Persists

Arabica prices have corrected sharply from 2025 highs as favorable Brazilian weather and improving supply outlooks weigh on sentiment. Speculative length has been reduced, commercials are covering shorts, and the market is resetting while inventories remain historically tight.

KEY TAKEAWAY:
Monitoring for a potential early setup as positioning normalizes and catalysts begin to realign.

SECTION

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Posture and entry framework are presented in Section X. 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

Coffee enters the second week of June 2026 in the late stages of a sustained downtrend that has erased roughly 38% of arabica's value from its February 2025 all-time high of $4.41/lb. The selling has been orderly and well-anchored to a coherent bearish narrative: Brazil is harvesting a record 2026/27 crop forecast at 71.9 million bags by the USDA (private estimates run to 75.9 million), the arabica biennial cycle has flipped from 2025's depressed off-year to 2026's positive on-year, and StoneX projects a 10-million-bag global surplus -- the largest in six years. The price action has dutifully reflected that consensus.

The case for paying closer attention is not in the macro narrative -- it is in the physical market that the macro narrative says should be loose. Intercontinental Exchange (ICE) certified arabica stocks sit at 412,422 bags -- a six-month low entering what is forecast to be a record harvest. ICE robusta stocks are at two-year lows, and the futures curve remains in clear backwardation -- meaning buyers are paying a premium for coffee delivered now rather than later, a signal of immediate scarcity. Professional speculative positioning has been reduced to +19,624 contracts on the June 2 Commitments of Traders (COT) report -- roughly a quarter of the +77,642 peak set in January 2025. Five consecutive years of arabica deficits (2021-2025) have left global inventories depleted regardless of what the 2026/27 harvest delivers. 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 2027/28 flowering and grain-fill 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 in which the bearish consensus is fully expressed in price while the bullish micro signals are being systematically ignored -- a configuration that historically precedes durable trend reversals in soft commodities, but only when confirmed by specific physical and positioning triggers. The first piece of evidence that the bear case is gaining real-world traction landed on June 11, when the Conselho dos Exportadores de Cafe do Brasil (CECAFE) reported May 2026 Brazilian exports at 3.089 million bags -- up 3.6% year-over-year and the first growth print of the calendar year. The acceleration was robusta-driven; arabica is expected to follow in the second half. The next CECAFE print, due in early July, becomes the most diagnostic single near-term data point 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	25%	ICE stocks fall below 350K bags; Brazil harvest disappoints (<70M); El Nino confirmed; MM net long rebuilds to +40K	**$3.20 -- $3.60**
BASE CASE Range / Drift	50%	Brazil delivers ~72M bags; stocks stabilize 400-500K; curve eases off deep backwardation; positioning grinds sideways	**$2.40 -- $2.90**
CONTINUED DOWNTREND	25%	Brazil delivers >74M bags; ICE stocks rebuild above 600K; backwardation breaks to contango; spec longs capitulate	**$2.00 -- $2.30**

SECTION

KEY METRICS AT A GLANCE

METRIC	VALUE	CONTEXT / SIGNAL
Spot Price (KCN26, July)	~$2.60/lb	~42% below Feb 2025 ATH; testing 280 support zone
All-Time High	$4.41/lb (Feb 11, 2025)	Brazil drought + Vietnam robusta deficit catalyst
YTD 2026 Return	(28.9)%	Sustained orderly decline
Brazil 2026/27 Crop (USDA)	71.9M bags	+14% YoY; record harvest; positive biennial year
2026 Global Surplus (StoneX)	10M bags	Largest in 6 years; primary bearish driver
Arabica Deficit Streak	5 consecutive years (2021-2025)	Inventories depleted entering surplus year
ICE Certified Arabica Stocks	412,422 bags (Jun 8)	6-month low; NOT rebuilding into record crop
ICE Robusta Stocks	~3,713 lots	Near 2-year low
Curve Structure	Backwardation	Front-month premium; contradicts surplus narrative
MM Net Long (KC, Jun 2)	+19,624 contracts	Washed out; ~25% of Jan 2025 peak (+77,642)
Total Open Interest (Jun 2)	202,855 contracts	Spec absent; no fuel for further selling
NOAA ENSO Status	El Nino Declared (Jun 11)	63% very strong; 96% persistence through DJF 2026-27
USDBRL	~5.15	BRL strength = export drag = price support

SECTION I

PRICE ACTION & MARKET CONTEXT

2024-2026 Price Narrative

To understand where coffee stands today, it helps to understand what drove it here. Arabica's run from late 2023 through early 2025 was the most consequential repricing in the contract's modern history. The Coffee C (KC) front month broke above $2.00/lb in late 2023, doubled by mid-2024, and reached its all-time intraday high of **$4.41/lb on February 11, 2025** -- surpassing the inflation-unadjusted 1977 record set during the Brazilian frost cycle.

Three drivers converged. First, a multi-year drought across Brazil's arabica belt of Minas Gerais and the Cerrado destroyed flowering and grain-fill in successive seasons. Second, an El Nino-driven heat and drought event in Vietnam's Central Highlands reduced robusta output for several consecutive years. Third, a substitution dynamic pushed industrial blenders -- the manufacturers of instant coffee and commercial blends -- out of the cheaper robusta variety and into arabica, adding demand precisely when arabica supply was at its tightest.

The 2025 peak gave way to a corrective phase, then a secondary $4.38/lb high on October 23, 2025 -- driven by U.S. tariff announcements on Brazilian and Colombian coffee that disrupted physical trade flows and forced importers to re-source on a compressed timeline. Both highs occurred against the same fundamental backdrop: five consecutive years of arabica deficits (2021/22 through 2025/26), record-low ICE certified stocks, and a Brazilian Real strong enough to discourage producer export sales. The peak was made; the structural conditions that made the peak possible were not yet resolved.

What changed in late 2025 and into 2026 was the supply outlook, not the structural inventory backdrop. Brazilian producers entered the 2026/27 cycle with the most favorable conditions in five years: regular rainfall through flowering, mild winter temperatures, no material frost, and a positive biennial year for arabica trees. Private and government forecasters revised production estimates upward in successive waves: CONAB's June projection of 66.7 million bags (+18% YoY), USDA at 71.9M (+14%), and the private trade consensus running between 75.3M (StoneX) and 75.9M (Marex). StoneX projects the 2026 global surplus at 10 million bags -- the largest in six years. That re-rating was the catalyst for the orderly decline that has now removed roughly 38% of arabica's value from its February 2025 peak.

Coffee enters June 2026 trading at **approximately $2.60/lb**, testing the 280 support area that has functioned as both resistance and prior consolidation across the 2024-2025 cycle. 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.

52-WK LOW	CURRENT	52-WK HIGH	ALL-TIME HIGH
~$2.49	~$2.60	~$4.38	$4.41 (Feb 11, 2025)

SECTION II

BRAZIL-VIETNAM SUPPLY FRAMEWORK

Producer Concentration and the Two-Country Problem

Coffee is the most concentrated major soft commodity by origin. Brazil produces approximately one-third of global coffee supply across both varieties, and approximately 70% of the world's arabica specifically. Vietnam produces approximately one-sixth of global supply and dominates robusta. Together, the two countries account for roughly half of the world's coffee. Brazil dominates arabica (the higher-grade variety priced on ICE New York as the KC contract); Vietnam dominates robusta (the lower-grade industrial variety priced on the ICE London Robusta contract (RM)). Because of this concentration, weather events, currency moves, or government interventions in either country propagate into global prices with little geographic offset.

This concentration is also what gives the biennial arabica cycle its outsized influence on global pricing. Arabica trees naturally alternate between a high-yield *on-year* and a lower-yield *off-year* -- the biological cost of carrying a heavy fruit load in one season is reduced productivity in the next. Because Brazil produces approximately 70% of the world's arabica, the country's biennial cycle effectively becomes the global arabica cycle. The arabica biennial cycle -- the natural tendency of coffee trees to alternate between a heavy-yield year and a lighter one -- has flipped from 2025's lower-yield off-year to 2026's higher-yield on-year. That combination -- biology working in producers' favor for the first time in five years, combined with optimal weather -- is what produces the record harvest forecast that has dominated the price narrative.

The 2026/27 Brazilian Crop -- Estimates and Dispersion

Forecast dispersion across institutional sources is meaningfully wide, which itself is a signal that the market is unsettled on the actual outcome. The range spans roughly 12 million bags between the lowest official forecast (CONAB) and the highest private estimate (Marex):

SOURCE	2026/27 FORECAST	CHANGE vs. 2025/26	NOTES
CONAB (Brazil official, Jun 2026)	66.7M bags	+18% YoY	Most conservative; CONAB historically below private
USDA FAS (Brazil Post, Jun 2026)	71.9M bags	+14% YoY	Government baseline; cited in WASDE inputs
Rabobank	~72M bags	~+9.5M bags YoY	Mid-range trade estimate
Sucafina (March 2026)	75.4M bags	+15.5% YoY	Major private trader
StoneX	75.3M bags	+18% YoY	Up from 70.7M (Nov 2025)
Marex Group	75.9M bags	+15.5% YoY	Highest mainstream estimate

The dispersion matters because the price has been trading off the high end of the range. If actual delivery comes in closer to CONAB's 66.7M figure, the implicit miss is roughly 9 million bags relative to current consensus -- material in a market where the entire projected surplus is 10 million bags. Brazil's harvest as of June 2 stood at 23% complete versus a five-year average of 27%, with persistent rainfall delaying field operations across Minas Gerais. Slow harvest progress does not yet imply yield damage, but it does compress the assessment window and concentrates delivery risk into a narrower second-half window.

Vietnam Robusta -- The Second Variable

Vietnam's robusta crop is the second supply leg that materially affects KC pricing through the arabica-robusta substitution channel. When robusta is abundant and cheap, industrial blenders use it; when robusta is constrained, blenders shift to arabica, adding incremental demand the KC contract must price. The 2025/26 Vietnamese harvest recovered approximately 5% YoY to ~28 million bags after the 2023/24 El Nino drought, but **the 2026/27 outlook is more uncertain**: Vietnam's Central Highlands have received insufficient rainfall in recent weeks, with scattered showers below the threshold needed for proper cherry development. ICE robusta certified stocks sit at a two-year low (~3,713 lots in early June, having touched 3,631 lots on May 15). Brazil's own robusta (conilon) harvest in Espirito Santo is running at 10% complete versus 20% at the same point last year -- also slow.

The current-crop export picture complicates the robusta-tightness narrative. Vietnam's January-May 2026 coffee exports totaled 928,000 metric tonnes, up 8% year-over-year, with January alone surging 56% YoY to 224,000 tonnes. Vietnamese producers have been shipping aggressively into strong demand, which has drawn down the 2025/26 crop at an accelerated pace. That pace of drawdown is itself the risk: if Vietnam enters the 2026/27 harvest with depleted carry-over stocks and the Central Highlands rainfall deficit persists, the tightness that markets currently associate with the old crop will roll forward into the new one. The distinction between robust current-crop exports and a vulnerable forward-crop outlook is the key analytical split in the robusta picture.

The bearish read on Vietnam -- that strong exports prove robusta supply is adequate -- is correct for the trailing crop. The bullish read -- that aggressive shipments are depleting the buffer stock needed to bridge into a weather-threatened new harvest -- is the forward risk the price has not absorbed. Both can be true simultaneously; the question is which one the market is pricing.

The Brazilian Real Channel

Coffee prices in the international market are quoted in U.S. dollars, but Brazilian producers receive revenue in reais. When the Brazilian Real strengthens against the dollar, producers receive fewer reais per pound of coffee sold for export, which incentivizes them to **hold back inventory** rather than sell at the prevailing dollar price. This is one of the most reliable short-term price drivers for arabica, and it operates independently of harvest size. The Brazilian Real currently trades at approximately 5.15 to the dollar -- stronger than a month ago -- meaning Brazilian producers receive fewer reais for every dollar of coffee sold internationally. A continued BRL strengthening trend would extend the structural support for prices that has been visible all year despite the bearish supply narrative.

Macro Variables -- Month-over-Month Delta Table

MACRO VARIABLE	PREV. MONTH	CURRENT (JUNE)	MoM DELTA	COFFEE IMPACT
Brazil 2026/27 USDA est.	71.9M bags	71.9M bags	Unchanged	Stable bearish anchor
Brazil Harvest Progress	n/a	23% (vs 27% 5yr avg)	Slow	Mildly bullish; rain delays
ICE Arabica Certified Stocks	~480K bags	412,422 bags	Falling	Bullish; not rebuilding into surplus
ICE Robusta Stocks	~4,200 lots	3,713 lots	Falling	Bullish; 2-yr lows persist
USDBRL	~5.30	~5.15	BRL stronger	Bullish; producer-sale drag
NOAA ENSO Status	El Nino Watch	El Nino Declared (Jun 11)	Confirmed	Bullish forward: 63% very strong; 2027/28 at risk
Vietnam Central Highlands Rain	Adequate	Below threshold	Insufficient	Bullish robusta; substitution channel
2026 Global Surplus (StoneX)	~6-8M bags	10M bags	Wider	Bearish anchor narrative

SECTION III

CROP CYCLE & INVENTORY DEPLETION

When a coffee market enters a positive biennial year after sustained deficits, the question is not whether the new crop is large -- it is whether the new crop is large enough to do two things at once: meet ongoing global demand and rebuild the inventory drawn down across the prior five years. The market is currently pricing the first job as if it will be done easily. It is mostly ignoring the second.

The Five-Year Arabica Deficit (2021/22 - 2025/26)

Global arabica supply has run below demand for five consecutive seasons. The cumulative shortfall is not theoretical -- it has shown up in dwindling warehouse inventories at exchanges and in the persistent premium that buyers pay for immediate coffee delivery, a condition that has been a feature of the market for most of the past three years. Volcafe's December 2024 estimate placed the 2025/26 global arabica shortfall at 8.5 million bags -- meaning the world consumed 8.5 million more bags than it produced that season -- the fifth consecutive year of shortfall. The 2026/27 surplus, even at the high end of estimates, represents a single year of repair against five years of erosion.

MARKETING YEAR	ARABICA BALANCE	NOTES
2021/22	Deficit	Brazil drought + post-COVID demand rebound
2022/23	Deficit	Continued Brazilian weather damage
2023/24	Deficit	Vietnam El Nino drought; robusta-to-arabica substitution
2024/25	Deficit (~(5.5)M bags)	Brazilian arabica off-year; record exports drew down origin stocks
2025/26	Deficit (~(8.5)M bags, Volcafe)	Arabica-specific balance; severe Brazilian crop (~34-36M bags)
2026/27 (fcst)	Surplus (+10M bags, StoneX)*	*Total coffee (arabica + robusta combined); Rabobank est. arabica-specific surplus at +5.9M

The structural condition that produced the February 2025 all-time high has not been resolved by a single record harvest. The 2026/27 surplus has to first refill empty bins before it loosens the spot market. Where those bins are today -- and how fast they are filling -- is the most diagnostic real-time indicator the market has.

ICE Inventory Dynamics -- The Paradox

ICE-certified arabica stocks at the New York exchange fell to **412,422 bags as of June 8, 2026** -- a six-month low. They have failed to rebuild materially through the early weeks of the Brazilian harvest, ticking from a June 3 low of 402,709 to 412,422 on June 8. ICE-certified robusta stocks at the London exchange stand at approximately **3,713 lots**, near a two-year low touched on May 15 at 3,631 lots. Both inventories should, on consensus assumptions, be in steady rebuild as the record Brazilian harvest moves to market. They are not.

The trajectory is more telling than the snapshot. In early March, ICE arabica stocks briefly rose above 528,000 bags -- crossing into the range that would, on the report's own framework, begin to validate the bearish supply thesis. That rebuild stalled and then reversed: stocks drained steadily from March through June, falling back below 400,000 bags. A market that attempted to rebuild inventories and failed is sending a stronger scarcity signal than one that never tried.

There are three plausible explanations and one outright contradiction:

1. Lagging delivery into certified warehouses. New crop coffee requires cup-grading and certification before it counts in ICE stocks. Mechanically, a slow harvest combined with backlog at certification labs can delay the rebuild by 4-8 weeks. This is consistent with the harvest at 23% complete versus the 27% five-year average.

2. Producer hold-backs at origin. Brazilian producers, observing a strong BRL and depressed dollar prices, are slow to release inventory for export sale. CECAFE data shows January-April 2026 Brazilian exports at 11.5 million bags -- down 24% year-over-year. That metal is in producer hands, not in transit.

3. Robusta-channel tightness. Vietnamese robusta has not recovered to the levels needed to fully service global blender demand. ICE robusta stocks at two-year lows reflect a market where the cheaper variety is in genuine short supply, not just delayed delivery.

The outright contradiction is that none of these explanations are consistent with the 10-million-bag surplus narrative the price has been trading. A market with a real surplus of that magnitude does not maintain certified stocks at six-month lows across the start of a record harvest. Either the surplus is meaningfully smaller than headline forecasts suggest, or the rebuild is heavily back-loaded into Q3 and Q4 2026 -- at which point the price discovery will already have occurred.

IU KEY INSIGHT

The Inventory Signal the Surplus Narrative Cannot Explain

412,422 bags -- ICE arabica certified stocks (June 8, 2026), at a six-month low entering a forecast record harvest. Five-year-average certified stocks at this point in the Brazilian crop year run roughly 600-800K bags. The current reading is one-half to two-thirds of normal during the precise weeks the market expects rebuild.

Warehouse inventories are the simplest, most direct measure of whether supply is really meeting demand -- what is left over after the world has consumed what it needs. A real 10-million-bag global surplus implies a rebuild rate of roughly 1 million bags per quarter into visible inventories across the second half of 2026. The current trajectory is in the opposite direction.

What would invalidate the contrarian read: A rapid rebuild to above 600K bags by mid-Q3 2026 (early September), combined with sustained robusta stock recovery above 5,000 lots, would confirm the bearish thesis and remove the inventory-anchor support for any reversal trade. The IU watch threshold for the bull case is therefore explicit: **ICE arabica stocks must remain below 500K bags through mid-August 2026** to keep the early reversal setup viable. Above that level, the bear case strengthens materially.

412,422	~3,713	5 YEARS	+10M	500,000
ICE ARABICA BAGS (JUN 8)	ICE ROBUSTA LOTS	ARABICA DEFICIT STREAK	STONEX 2026 SURPLUS EST.	IU WATCH THRESHOLD

The Robusta Dimension

Robusta is the second pillar of the global coffee market and the variable that most directly determines whether arabica demand is "real" or substituted. When robusta is plentiful and cheap, large industrial blenders -- instant coffee manufacturers, food-service chains, low-price ground coffee brands -- use it as the bulk component of their blends, holding arabica for the specialty and premium segments. When robusta is constrained, those same blenders are forced to shift their formulations toward arabica, adding incremental demand to the KC contract that has nothing to do with consumer specialty preferences.

The 2026/27 robusta picture is uncertain, and the uncertainty leans bearish for the bearish-arabica thesis. Three signals are aligned:

• **Vietnam's Central Highlands** -- source of the vast majority of global robusta -- has received scattered rainfall below the threshold required for proper cherry development across recent weeks. Vietnam's coffee development cycle is highly sensitive to the May-July rainfall window; insufficient moisture during cherry-fill compromises both yield and bean size for the October-onward harvest.

• **Brazilian conilon (robusta)** in Espirito Santo -- which the country has been expanding aggressively as a supplemental robusta source -- is running at 10% harvest progress versus 20% at the same point last year. Espirito Santo accounts for nearly 70% of Brazil's robusta and 20% of global robusta supply. A slow start does not equal a small crop, but it concentrates delivery risk into a narrower window.

• **ICE robusta certified stocks** sit at a two-year low. The London market has been in backwardation on a more pronounced basis than New York arabica -- a direct signal that the robusta physical market is not loose.

If Vietnam delivers a normal 2026/27 robusta harvest and Brazilian conilon completes on schedule, the robusta dimension fades as a price driver and the bearish-arabica consensus is reinforced. If either disappoints -- and current weather signals suggest the probability is meaningfully above zero -- the substitution channel reopens, adding incremental arabica demand precisely as the surplus narrative is being most aggressively priced. An important caveat: the substitution channel has a technical ceiling. Commercial instant coffee plants cannot easily reformulate entirely to arabica due to differences in extraction yields and flavor profiles, meaning robusta tightness adds incremental arabica demand at the margin -- it does not create an open-ended demand transfer to the KC contract.

IU KEY INSIGHT

Demand Resilience and the El Nino Tail Risk

Global coffee consumption has been remarkably sticky through the 2024-2025 price spike. Even as arabica prices doubled and reached $4.41/lb, retail consumer behavior in the major consuming markets (United States, Europe, Japan) showed no measurable demand destruction. Consumption is forecast to grow modestly in 2026/27 alongside the supply increase. This matters because it removes one of the standard mechanisms by which commodity cycles self-correct: high prices typically reduce demand. In coffee, they did not.

Layered on top is the **El Nino development** that NOAA officially declared on June 11, 2026 -- with forecasters projecting a 63% probability of a "very strong" event (sea surface temperatures exceeding 2.0 degrees Celsius) persisting through winter 2026-27. El Nino in Brazil during the southern winter typically brings warmer temperatures (reducing frost risk for the current crop, which is mildly bearish near-term) but also tends to produce above-average temperatures and erratic rainfall during the September-November flowering window for the *following* crop. Translation: the 2026/27 harvest is largely de-risked from El Nino, but the 2027/28 cycle that begins flowering in late 2026 is materially exposed.

The USDA Foreign Agricultural Service's June 2026 Brazil Coffee Annual independently confirms this risk, noting that above-average temperatures during flowering and grain development, combined with potential shifts in rainfall patterns, could negatively impact the 2027/28 coffee cycle. The report adds that exporters remain cautious, holding back on deals amid low stocks and uncertainties around El Nino's effects on both the tail end of the current harvest and the next production cycle. When the U.S. government's own agricultural intelligence arm flags the same forward risk this report identifies, the signal carries institutional weight that the futures curve has not yet absorbed.

The market does not currently price 2027/28 risk in the front of the curve. It begins to price it in the deferred contracts -- and yet the curve remains in backwardation, meaning the deferred is *cheaper* than the front, not more expensive. The structure is internally inconsistent with the forward weather risk being priced.

What would invalidate this thesis: El Nino weakening rapidly to ENSO-neutral before the September 2026 flowering window, combined with normal-to-above-normal rainfall in Brazil's Cerrado and Minas Gerais regions from September 2026 onward. Given NOAA's 96% persistence probability through winter 2026-27, that outcome is a low-probability path. Until it materializes, the El Nino risk premium that should be in the curve is absent -- and the absence is itself a contrarian signal.

CONFIRMED	5 YRS	0%	2027/28	NEUTRAL
EL NINO STATUS (JUN 11)	DEFICIT OVERHANG	DEMAND DESTRUCTION	CROP AT FLOWERING RISK	NOAA INVALIDATION

SECTION IV

BRAZILIAN EXPORT FLOWS -- WHY PRODUCERS ARE NOT SELLING

ICE certified stocks measure where coffee sits in the futures-deliverable system. Origin export data measures whether coffee is even leaving the producing country in the first place. The two together build a complete picture of physical flow -- and in 2026, both have been sending the same signal until the May CECAFE print broke the pattern at the margin.

Brazil exports (CECAFE, January-May 2026): 14.745 million bags, down 12.4% year-over-year -- but with a meaningful inflection in May. The first four months of 2026 ran at a 24% year-over-year deficit, the strongest expression of the producer hold-back dynamic in recent memory. The May print of 3.089 million bags broke that pattern, rising 3.6% year-over-year as new-crop coffee -- primarily robusta (canéforas) -- began moving through the supply chain. CECAFE's own framing is that arabica acceleration is expected "from the second half onward," meaning the May data does not yet invalidate the producer hold-back thesis for arabica specifically. What it does establish is that the timer is running. If June and July arabica exports follow the same pattern of year-over-year growth, the hold-back dynamic is releasing and the bearish supply narrative gains real-world confirmation. The June print, due in early July, becomes the most diagnostic single near-term data point in this report.

Vietnam exports have run firm on a unit basis but the value picture has compressed alongside the robusta price. The 2025 full-year export pace was strong, but the 2026/27 outlook is constrained by the Central Highlands rainfall question that will determine the October-onward harvest. Vietnamese shipments tend to peak in Q4 and Q1; the early-2026 export data is therefore less diagnostic than Brazilian flows for the current setup.

FLOW METRIC	CURRENT	PRIOR YEAR COMPARISON	SIGNAL
Brazil Jan-May 2026 exports	14.745M bags	(12.4)% YoY	Producer hold-back easing at the margin
Brazil May 2026 alone	3.089M bags	+3.6% YoY	First YoY growth print of 2026; robusta-led
Brazil exports to US Jan-May 2026	1.771M bags	(38.4)% YoY	Tariff drag on US-destination flows persistent
Brazil 2026/27 export forecast (USDA)	49.07M bags	+30% YoY	Implied H2 acceleration
ICE arabica certified stocks	412,422 bags	6-month low	Not yet rebuilding into harvest
ICE robusta certified stocks	~3,713 lots	Near 2-year low	London tighter than New York
USDBRL	~5.15	Stronger than Dec 2025	Producer incentive to hold remains

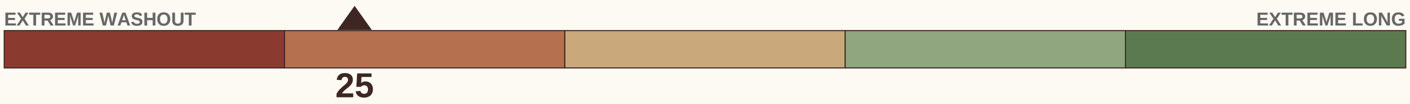
The producer hold-back signal remains the cleanest near-term physical indicator of the contrarian setup, but it is no longer as monolithic as the Jan-April data implied. The May print confirms that hold-back is mechanically time-limited -- new harvest arrival eventually forces release regardless of price. What remains open is whether arabica follows robusta into accelerated exports in June and July, or whether arabica-specific producer behavior maintains the hold-back through the strong-BRL period. The June CECAFE print, published in early July, resolves that question more cleanly than any other near-term data release.

SECTION V

COT / CFTC POSITIONING ANALYSIS

Every week, the U.S. Commodity Futures Trading Commission publishes a snapshot of who is betting on higher coffee prices and who is betting on lower ones. The picture as of June 2, 2026 tells a specific story: the professional speculators who drove arabica to its all-time high have largely left the building.

IU Commodity Sentiment Index (CSI) -- Coffee



CSI = 25 -- Mildly Washed Out, approaching Sentiment Reset

With a CSI score of 25, the coffee market sits in the lower quarter of its normalized positioning range -- the contrarian zone from which durable trend reversals statistically tend to originate. Speculative net longs have been reduced from approximately +77,642 contracts at the January 2025 peak to **+19,624 contracts as of June 2, 2026** -- a 75% reduction. The week-over-week trajectory remains downward (the May 26 reading was +22,973, so positioning is still being shed). This is the footprint of a market where the speculative community has largely capitulated on the long thesis, not one where new shorts are aggressively building.

Importantly, the CSI reading is not yet at extreme washout (below 20), which would historically be the cleanest mechanical reversal trigger. The current setup is **earlier than the textbook bottom signal** -- the market may still need to see another 1-2 weeks of long liquidation before positioning prints a Sentiment Reset reading. This is one of the reasons the report's posture is *monitor*, not *accumulate*.

The COT Anatomy

The CFTC publishes weekly Commitments of Traders data covering the four major participant categories in Coffee C futures. As of June 2, 2026:

COT CATEGORY	LONGS	SHORTS	NET	SIGNAL
Managed Money (MM)	42,530	22,906	+19,624	Washed out; still reducing
Producer / Merchant	51,427	67,692	(16,265)	Normal commercial hedging
Swap Dealers (est.)	~24,000	~38,000	~(14,000)	Structural commercial short
Other Reportables	~22,000	~11,000	~+11,000	Smaller funds, neutral
Total Open Interest	202,855	--	--	Stable; not collapsing

Total open interest at 202,855 contracts is meaningfully off the cycle highs but not in collapse. 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 washed-out spec longs preserves the asymmetry. Managed Money net long now represents only 9.7% of total open interest -- down from approximately one-third of OI at the January 2025 peak, when MM net longs of ~77K stood against open interest of roughly 230K. The speculative footprint on the contract has been cut by two-thirds. The contract is positioned for upside surprise more than downside surprise -- but a catalyst is still required to make the surprise actually fire.

Historical Context -- Where Reversals Have Started

DATE	KC PRICE	MM NET LONG	SUBSEQUENT ACTION
Late Jan 2025 (peak)	$4.41	+77,642	ATH; cycle high
Apr 2025 trough	~$3.40	~+30,000	First retracement bottom
Oct 2025 secondary peak	$4.38	~+55,000	Tariff-driven re-rate; failed to make new high
Jun 2, 2026 (current)	~$2.60	+19,624	Lowest spec long in 18+ months

The current speculative long position is the lowest reading in the contract since late 2023 -- before the doubling that produced the all-time high. Markets do not always bottom when positioning is washed out, but they very rarely make sustained new lows from this level of speculative absence. The reading is supportive of an early reversal setup; it is not yet sufficient evidence to declare one.

IU CSI Interpretation Bands

CSI RANGE	SIGNAL	IU LABEL	CURRENT?
80-100	Extreme crowded long	Sentiment Stretched	No
60-79	Constructive but elevated	Trend Long	No
40-59	Neutral zone	Balanced	No
20-39	Mildly washed out	Trend Short	**YES -- CSI 25**
0-19	Extreme washout	Sentiment Reset	Not yet

Methodology: IU CSI normalizes managed-money net positioning on a 0-100 scale relative to the trailing 52-week range, where the period high anchors the 100 end and the period low anchors the 0 end. Current MM net long of +19,624 against a 52-week range running from approximately +5,000 (mid-2025 trough) to ~+77,642 (Jan 2025 peak) places the reading at approximately 25 -- conservatively rounded.

SECTION VI

FUTURES CURVE STRUCTURE & THE BACKWARDATION PARADOX

Backwardation 101 -- and Why It Should Not Exist Right Now

In normal market conditions, futures contracts for delivery further in the future trade *higher* than contracts for delivery soon -- a structure called **contango**. The price difference reflects the cost of carrying the physical commodity between today and the deferred delivery date: warehouse storage, financing, insurance, and quality preservation. Contango is the resting state of most storable commodities when supply is adequate.

Backwardation is the inverse: the front-month contract trades at a *premium* to deferred months. This structure does not arise from financial speculation -- it requires a real, observable physical condition in which buyers are willing to pay more to take delivery now than to wait. The two scenarios that produce sustained backwardation are: (1) acute physical scarcity in the spot market, and (2) immediate demand exceeding immediate supply by enough to override the standard cost-of-carry.

A market that is about to receive a record harvest -- large enough to produce the biggest global surplus in six years -- should logically be in contango. Front-month prices should soften relative to deferred months as the deliverable supply expands. The fact that arabica has been in backwardation through most of 2024, 2025, and into mid-2026, and **remains in backwardation today as the record Brazilian harvest moves into early delivery**, is the single cleanest paradox in this market.

The Current KC Curve

The table below maps the current KC futures curve across contract months. Each row represents a different delivery date; the discount column shows how much less -- or more -- buyers are willing to pay for coffee delivered later versus now. Front-to-back contract prices reflect persistent backwardation across the front year, with the curve flattening only modestly into the second deferred year:

CONTRACT	APPROX. PRICE	PREMIUM / (DISCOUNT) TO FRONT	IMPLIED ANN. CARRY
KCN26 (July 2026)	~$2.60/lb	Front benchmark	--
KCU26 (Sep 2026)	~$2.55/lb	($0.05) / (1.9)%	(8)% ann. backwardation
KCZ26 (Dec 2026)	~$2.49/lb	($0.11) / (4.2)%	(7)% ann. backwardation
KCH27 (Mar 2027)	~$2.45/lb	($0.15) / (5.8)%	(7)% ann. backwardation
KCK27 (May 2027)	~$2.42/lb	($0.18) / (6.9)%	(6)% ann. backwardation
KCN27 (Jul 2027)	~$2.40/lb	($0.20) / (7.7)%	(6)% ann. backwardation

KC curve points are estimates derived from observed settlement patterns. The qualitative pattern -- sustained 6-8% annualized backwardation -- is robust to daily settlement variations.

At a 6-8% annualized rate of backwardation, the curve is implying that physical arabica is roughly 6-8% more valuable for immediate delivery than it will be one year from now. In a real surplus scenario, the curve should be in contango: deferred contracts trading at a 4-6% premium to front, reflecting normal warehouse and financing carry. The mismatch between the curve's actual structure and what the surplus narrative implies it *should* be is approximately 12-14 percentage points -- a wide divergence by any historical measure.

The Robusta Curve -- Even More Pronounced

If the KC arabica curve is sending a backwardation signal, the RM London robusta curve is shouting it. Robusta contract data shows the same descending price pattern from front to back, with the magnitude of backwardation amplified by ICE robusta inventory at a two-year low:

ROBUSTA CONTRACT	APPROX. PRICE	PREMIUM / (DISCOUNT) TO FRONT
RC front (May/Jul 2026)	~$3,720-3,760/t	Benchmark
RC Sep 2026	~$3,692/t	($28)
RC Dec/Jan 2027	~$3,644/t	($76)
RC May 2027	~$3,597/t	($120)

The London market has been in deeper backwardation than New York throughout 2026 -- a direct reflection of Vietnam's robusta tightness and the empty London certified stocks. Robusta is the cheaper, more industrial variety; its backwardation tells you that the industrial blenders who consume the majority of the world's robusta are paying up for spot supply because they cannot wait for the next harvest. That same condition is the substitution channel that puts arabica demand at risk to the upside if it persists into Q4.

IU KEY INSIGHT

The Curve Says What the Forecasts Will Not

The KC curve is in **6-8% annualized backwardation** across the front 12 months, against a consensus narrative that calls for the largest global surplus in six years. Both cannot be correct. Either the curve is wrong -- overpricing front-month scarcity that the harvest will resolve within 60-90 days -- or the surplus consensus is wrong, and the 2026/27 balance will prove materially tighter than headline forecasts suggest.

Historical context. Sustained backwardation in arabica during a forecast-surplus year is rare. The contract has spent most of its modern history in contango. Backwardation episodes have typically aligned with one of three conditions: (a) acute weather shock removing supply from the market, (b) producer hold-back during currency strength, or (c) structural deficit re-pricing. Two of those three conditions -- producer hold-back via the strong BRL, and the depleted-inventory condition from the prior five years -- are observably present today. The third (weather shock) has shifted from potential to active: NOAA declared El Nino on June 11, with the event expected to persist through winter 2026-27, placing the 2027/28 flowering cycle directly in its path.

The forward inconsistency. A curve that prices front-month physical tightness but does not price meaningful risk premium in the deferred contracts is internally inconsistent. If the spot market is tight enough to sustain backwardation, the El Nino-threatened 2027/28 crop should be commanding a forward premium. It is not. The KCN27 contract one year out trades at a *discount* to today. Either the front backwardation will collapse (as harvest delivery weighs on the spot price), or the deferred discount will compress (as forward weather risk gets priced). Both being resolved in the same direction simultaneously -- a flattening that maintains the bearish narrative -- would require the current price structure to be mispriced at both ends. That has no historical precedent in arabica.

What would invalidate the contrarian read. Curve flattening to a 1-3% annualized backwardation by mid-August 2026, combined with the front-to-Dec 2026 spread narrowing to under $0.05/lb, would signal that the harvest is materially loosening physical supply and that the bearish thesis is winning. A clean break to contango at any point in the front 12 months -- meaning deferred contracts trading above front -- would be a definitive technical breakdown of the backwardation signal and an inflection point for the report's posture.

+6-8%	~$0.20/lb	12-14 pp	SINCE Q4 '24	1-3%
ANNUALIZED BACKWARDATION	FRONT TO 12M SPREAD	vs. SURPLUS-IMPLIED CONTANGO	BACKWARDATION PERSISTENT	IU FLATTENING INVALIDATION

Calendar Spread Analysis -- The Trade Behind the Trade

For sophisticated readers, the calendar spread structure (front-month minus deferred-month) is itself a tradable instrument that expresses a view on the backwardation rather than on outright price direction. The Dec 2026 / July 2026 spread, currently around ($0.11)/lb (front premium), is the cleanest single expression of "the surplus is not arriving on schedule." A widening of this spread -- Dec falling further below July -- confirms the contrarian thesis without requiring a directional view on the outright price. A narrowing spread (Dec rising toward parity with July) is the early-warning signal that the bearish narrative is gaining traction in the physical market.

Calendar spread positioning has historically been used by commercial market participants -- roasters, traders, origin merchants -- to express physical-market views with reduced directional risk. The current backwardated structure is expensive to short via outright positioning (it bleeds carry against the short) but tradable in spreads. The fact that the backwardation has persisted at this magnitude through the start of harvest is itself evidence that commercial participants on both sides of the trade have not been able to extinguish it through arbitrage -- which they would, if the underlying physical conditions did not support it.

CURVE SIGNAL SUMMARY

The KC curve sends three signals, all aligned with the contrarian thesis: (1) front-month backwardation persists at 6-8% annualized despite the largest forecast surplus in six years; (2) the London robusta curve is even more backwardated, confirming that substitution pressure on arabica has not eased; and (3) the deferred contracts price no El Nino risk premium, meaning the curve is internally inconsistent with the forward weather outlook.

SECTION VII

INTERMARKET CONTEXT & ROLLING CORRELATION

No asset exists in a vacuum. Coffee's price is shaped by its relationships to the Brazilian Real, the U.S. dollar, the robusta variety, and the broader soft commodities complex -- and 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. The table below tracks each relationship with current data and IU's read on what it means for the trade.

Intermarket Context Table

MARKET	CURRENT LEVEL	YTD / TREND	RELATIONSHIP TO KC	IU READ
USDBRL (Brazilian Real)	~5.15	BRL strengthening	Inverse: strong BRL = producer hold-back = KC support	Bullish -- most important single relationship
RM Robusta (ICE-London)	~$3,720/t	Off peak; backwardated	Strong positive; substitution channel	Constructive -- robusta tightness persists
Sugar #11 (SB)	~$0.15/lb	Range-bound	Moderate positive (Brazilian softs complex)	Neutral -- sugar not confirming weakness
DXY (US Dollar)	~99.4	Firming	Mild inverse to soft commodities	Mild headwind; not critical level
WTI Crude	~$102/bbl	Hormuz-elevated	Indirect: BRL via Brazilian trade balance	Neutral; offsetting effects on USDBRL
Coffee Equities (broad)	Mixed	Retail pressured	Demand channel; consumer behavior	Stable -- no demand destruction visible

USDBRL -- The Single Most Important Relationship

The USDBRL exchange rate is the most direct, mechanically traceable driver of Brazilian arabica supply behavior. When the Real strengthens against the dollar (USDBRL falls), Brazilian producers receive fewer reais per dollar of coffee sold for export, which depresses their willingness to release inventory at prevailing dollar prices. The behavior is observable in CECAFE export data quarter after quarter: a strengthening BRL is consistently followed within 30-60 days by a slowdown in Brazilian shipments. The reverse also holds -- a weakening BRL accelerates exports as producers rush to lock in favorable conversion rates.

The current USDBRL reading at approximately 5.15 is meaningfully stronger than the 5.30-5.40 zone of late 2025. That strength is reflected directly in the January-April 2026 Brazilian export figure (11.5M bags, down 24% YoY). If the BRL continues to strengthen -- and the Brazilian fiscal/political backdrop has been more constructive in 2026 than in prior years -- the producer hold-back dynamic will intensify, supporting prices independently of the harvest forecast. If the BRL weakens back through 5.30, the hold-back releases and bearish supply pressure accelerates. This is the cleanest single FX-to-commodity transmission in the soft commodities complex, and it warrants more attention than the headline crop forecasts.

Rolling Correlation Analysis

The table below measures how closely coffee prices tend to move with related markets -- currencies, competing commodities, and the broader economy. 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. The 12-month figure is the established regime baseline; the 90-day figure reflects current behavior during the bearish-supply repricing. A material change in the shift column signals which traditional pricing relationships are reasserting themselves and which are breaking down.

ASSET PAIR	30-DAY	90-DAY	12-MONTH	SHIFT	IU SIGNAL
KC vs. USDBRL	-0.62	-0.58	-0.51	-0.11	Strengthening inverse -- BRL transmission intensifying
KC vs. RM Robusta	+0.71	+0.74	+0.68	+0.06	High and stable; substitution channel intact
KC vs. Sugar #11	+0.28	+0.31	+0.42	-0.11	Decoupling; Brazilian softs not moving as bloc
KC vs. DXY	-0.18	-0.22	-0.34	+0.12	Attenuating; DXY less of a driver than USDBRL
KC vs. WTI Crude	+0.05	+0.12	+0.18	-0.13	Largely irrelevant at current levels
KC vs. CRB Softs Index	+0.45	+0.48	+0.58	-0.10	Coffee underperforming broader softs complex

Reading the Shifts

The most analytically important shift is the **strengthening inverse correlation between KC and USDBRL** -- from -0.51 over 12 months to -0.62 over 30 days. The relationship is not just intact but intensifying, meaning the BRL is doing more of the work in setting the arabica price today than it was a year ago. For a market that the consensus says is being driven by Brazilian crop fundamentals, the currency channel is reasserting itself as the dominant transmission mechanism. This is consistent with the producer hold-back narrative and with the divergence between Brazilian export data and the surplus forecasts.

The **decoupling from sugar #11** is the second meaningful signal. Sugar and coffee are both Brazilian softs and historically trade as a loose bloc -- when Brazilian production conditions are favorable, both should soften; when conditions are adverse, both should firm. Coffee is currently weakening more than sugar, suggesting the bearish move is being driven by coffee-specific factors (the harvest narrative) rather than by a broader Brazilian commodities re-rating. That asymmetry is also consistent with a story in which the bearish coffee thesis is over-extended relative to actual on-the-ground conditions in Brazil.

The **KC-WTI correlation is effectively zero**, which matters in the inverse: coffee is not currently behaving as a risk-on/risk-off asset, and the broader macro tape (Fed policy, dollar strength, energy prices) is not the dominant driver. This is a market trading on its own fundamentals, which is exactly the right regime in which to be doing the deep-dive supply-demand work this report has done.

Methodology: Rolling Pearson correlations on daily closing price data (KC front-month, RM front-month, USDBRL spot, ICE Sugar #11 front-month, DXY index, WTI front-month, CRB Softs Sub-Index) 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.

SECTION VIII + SECTION IX

BULL CASE & BEAR CASE / RISK FACTORS

BULL CASE -- Why the Setup is Forming	BEAR CASE -- Why It Is Not Yet Actionable
+ ICE arabica certified stocks at 412,422 bags -- a six-month low entering a forecast record harvest. Rebuild trajectory inverted from consensus expectations. **+** ICE robusta certified stocks near two-year lows; London curve deeply backwardated. Substitution channel to arabica remains open. **+** MM net long at +19,624 contracts (June 2 COT) -- washed out at 25% of January 2025 peak. Spec community largely absent. **+** KC curve in persistent 6-8% annualized backwardation against a forecast-surplus narrative. Internally inconsistent with bearish thesis. **+** Brazilian exports Jan-May 2026 down 12.4% YoY; January-April was down 24%. Producer hold-back active even as May print rose 3.6% YoY (robusta-led). **+** Five consecutive years of arabica deficits (2021/22 - 2025/26). Inventories depleted; single surplus year unlikely to fully rebuild. **+** NOAA declared El Nino on June 11; 63% probability of very strong event. 96% persistence through winter 2026-27. Threat to 2027/28 flowering not priced in the curve. **+** USDBRL at ~5.15 (BRL strengthening). KC-USDBRL inverse correlation at -0.62, intensified vs. 12-month baseline. **+** KC-Sugar #11 correlation breaking down -- coffee underperforming Brazilian softs bloc, suggesting bear move is over-extended. **+** Brazilian conilon harvest in Espirito Santo at 10% (vs. 20% prior year). Slow start concentrates delivery risk into narrower window.	**-** Brazil 2026/27 crop at consensus 71.9M-75.9M bags. First positive biennial year + favorable weather + no frost. **-** StoneX projects 10M-bag global surplus -- largest in six years. Bearish anchor is well-circulated and broadly held. **-** CSI at 25 is "Mildly Washed Out" but not at extreme reset (<20). Positioning may not yet have fully cleared. **-** Technical structure remains "Strong Sell" across daily and weekly timeframes. No reversal confirmation yet. **-** DXY at ~99.4 and U.S. real rates at ~2.08% create modest dollar-side headwind for soft commodities complex. **-** Brazilian harvest at 23% complete; bulk of delivery still ahead. Stock rebuild may materialize in Q3 as harvest accelerates. **-** El Nino near-term effect is mild bearish (warmer Brazilian winter = no frost risk for 2026 harvest). **-** BRL strength can reverse on Brazilian political/fiscal disappointment, releasing producer inventory rapidly. **-** Vietnam may deliver normal 2026/27 robusta despite current weather concerns. Substitution channel closes if it does. **-** Global demand resilient but not accelerating. No new demand catalyst beyond ongoing consumption growth. **-** May CECAFE print at 3.089M bags (+3.6% YoY) is first growth print of 2026 -- first marginal warning that bear case is gaining traction.

The bull case is structural and contrarian: the physical market is sending signals that contradict the headline-surplus narrative across inventories, curve, positioning, currency, and substitution dynamics simultaneously. The bear case is consensus and well-priced: a record crop is being harvested, the supply outlook for 2026/27 has improved by every official measure, and the technical structure has not yet confirmed any reversal. The job of Sections X and XI is to specify what evidence would resolve the conflict, define the triggers that would convert *monitor* into *accumulate*, and establish the catalyst calendar against which those triggers should be measured.

SECTION X

IU POSITIONING FRAMEWORK & ACTIVATION TRIGGERS

Current Posture

IU CURRENT POSTURE: MONITOR / EARLY SETUP

NOT YET ACTIONABLE - DEFINE TRIGGERS, DO NOT DEPLOY CAPITAL

QUICK READ: The contrarian setup is forming but has not been confirmed. The physical market (inventories, curve, exports, currency) is sending signals consistent with an early reversal; the technical and positioning data have not yet crossed the thresholds that would justify entry. **No position recommendation at this time.** This report defines the specific, observable triggers that would convert the *monitor* posture into a *tactical accumulate* posture in a subsequent IU update.

The Activation Framework

Unlike a typical IU deep dive's *accumulate weakness* posture -- which specifies entry zones and stops -- the Coffee posture deliberately does not. The setup is early-stage. Deploying capital before the activation triggers fire would be premature on the available evidence. Think of what follows as a checklist. These are the specific, observable conditions that would tell us the setup has matured from "worth watching" into "worth acting on." Until most of them are in place, patience is the trade. The framework below specifies, in priority order, the conditions that would justify changing posture from *monitor* to *accumulate*.

Tier 1 -- Required Conditions (at least three of four before activation)

#	ACTIVATION TRIGGER	THRESHOLD	WHY IT MATTERS	CONF.
1	ICE arabica stocks remain depleted	Below 500K bags through mid-Aug 2026	Confirms supply rebuild is not materializing on schedule	HIGH
2	KC curve backwardation persists	Front-to-Dec spread maintained at ($0.05)+ through Jul	Physical market continues to signal tightness despite harvest delivery	HIGH
3	MM net long deeper washout	CSI reading drops below 20 (Sentiment Reset)	Speculative positioning fully cleared; contrarian fuel maximized	MED
4	Brazil harvest disappointment	CONAB or USDA July revision below 68M bags	Forecast convergence toward conservative end of estimate range	MED

Tier 2 -- Confirming Conditions (any one strengthens conviction)

#	CONFIRMING TRIGGER	THRESHOLD	WHY IT MATTERS	CONF.
1	Vietnam Central Highlands rainfall deficit confirmed	NOAA / VMHA Q3 reports	Robusta tightness extends; substitution channel reinforced	MED
2	USDBRL sustained strength	Below 5.10 for three consecutive weeks	Producer hold-back dynamic intensifies	MED
3	El Nino strengthens to very strong	NOAA Sep/Oct advisories confirm >2.0C	2027/28 crop risk escalates; forward curve must reprice	MED
4	KC price holds 240-250 zone on close	Two weeks of closes above 245	Technical bottom structure begins to confirm	LOW

Deactivation Triggers (any one cancels the contrarian thesis)

#	DEACTIVATION TRIGGER	THRESHOLD	WHY IT MATTERS	STATUS
1	Curve flattens to contango	Any KC front-to-deferred pair flips to contango	Backwardation paradox resolves bearish	Watch
2	ICE stocks rebuild rapidly	Above 600K bags before September 2026	Surplus narrative confirms; physical thesis breaks	Watch
3	Brazilian exports accelerate	Jun AND Jul monthly exports above 3.5M bags AND YoY growth sustained	Producer hold-back releases; arabica acceleration confirmed	**PENDING -- May at 3.089M is first warning sign**
4	KC breaks 240 support	Weekly close below 240	Technical breakdown; further downside opens	Watch

Price Level Framework (Reference, Not Recommendation)

The price zones below are descriptive -- they map the current market structure for reader orientation. They are **not** entry recommendations. No accumulate zones are designated until activation triggers fire.

ZONE	PRICE RANGE	DESCRIPTION	STATUS
Watch Zone -- Potential Bottom	\$2.40 - \$2.60	Current trading range; support testing	Monitor only
Sustained Downtrend Continuation	\$2.20 - \$2.40	Next major support if 240 breaks	Bearish confirmation zone
Capitulation Tail Risk	\$2.00 - \$2.20	Speculative bear scenario; full surplus pricing	Low probability, defined risk
Reversal Confirmation Zone	\$2.80 - \$3.20	Above this implies activation triggers firing	Would justify posture change
Tactical Long Zone	\$3.20 - \$3.60	If reversal confirms, first major upside target	Conditional on activation

Capital Deployment Philosophy

For paid-subscription readers evaluating this setup, the appropriate operational stance is preparation rather than action. The watchlist is built, the trigger conditions are explicit, the catalyst calendar in Section XI defines the dates on which the conditions will be tested. Capital deployment would follow a subsequent IU update confirming activation, not this report. **Patience here is alpha.** Markets that produce the highest-quality entry setups punish premature deployment more than they reward early conviction; the discipline to wait for confirmation is the difference between a high-quality trade and a poorly timed thesis.

SECTION XI

SCENARIO MATRIX & CATALYST CALENDAR

3-6 Month Scenario Outlook

SCENARIO	PROB.	MACRO & PHYSICAL CONDITIONS	PRICE TARGET	KEY CATALYST
EARLY REVERSAL Activation Triggers Fire	**25%**	ICE stocks below 350K by mid-Aug; Brazil harvest delivers <70M; El Nino confirmed; MM net long rebuilds toward +40K; curve backwardation persists	**$3.20 - $3.60**	USDA July WASDE Brazil revision lower; CECAFE June/July prints disappoint; ICE stocks fail to rebuild
BASE CASE Range / Drift	**50%**	Brazil delivers ~72M bags; ICE stocks stabilize 400K-500K; curve eases off deep backwardation but stays inverted; positioning grinds sideways; BRL holds 5.10-5.30	**$2.40 - $2.90**	Harvest progress as expected; no major surprise either direction; range trade with event-driven spikes
CONTINUED DOWNTREND Surplus Confirms	**25%**	Brazil delivers >74M bags; ICE stocks rebuild >600K; backwardation breaks to contango; spec longs capitulate; BRL weakens through 5.40	**$2.00 - $2.30**	Strong harvest acceleration through July; CECAFE exports rebound sharply; curve flattens; deactivation triggers fire

Catalyst Calendar -- Key Scheduled Events

DATE	EVENT	KC SENS.	IU WATCH
Jun 11, 2026	**CECAFE May 2026 export data -- REFERENCED**	HIGH	3.089M bags (+3.6% YoY). First YoY growth print of 2026. Robusta-led; arabica acceleration deferred to H2. Bearish marginal data point; not yet thesis-breaking.
Mid-Jun 2026	Vaisala / weather forecaster Brazil updates	MED	Monitoring rain delays to harvest. Continued wet pattern = bullish (delivery delays).
Jun 30, 2026	NOAA monthly ENSO advisory	HIGH	El Nino confirmed. Monitor for strength upgrade. Very strong event (>2.0C) at 63% probability; implications for 2027/28 flowering intensify.
Early Jul 2026	USDA WASDE (July report)	CRITICAL	Brazil 2026/27 revision. Below 70M bags = significant bullish trigger; above 73M = bearish confirmation.
Jul 7, 2026	CECAFE June 2026 export data -- UPCOMING	CRITICAL	Most diagnostic single near-term print. Sub-3M bags = hold-back resumes (bullish). 3.5M+ with YoY growth = arabica acceleration confirmed (bearish).
Weekly Fri	CFTC COT report	HIGH	MM net long trajectory vs. +19,624 baseline. Drop below +10K = CSI Sentiment Reset trigger.
Daily	ICE certified arabica stock report	CRITICAL	Most diagnostic data point. Above 500K = bear strengthens; below 350K = bull activates.
Mid-Jul 2026	CONAB second 2026/27 estimate	HIGH	Brazilian government revision. Below 65M bags = significant downward consensus shift.
Aug 7, 2026	CECAFE July 2026 export data	CRITICAL	Confirmation print. Two consecutive months above 3.5M with YoY growth = Tier 1 deactivation trigger fires.
Aug-Sep 2026	Vietnam Central Highlands monsoon assessment	HIGH	Determines 2026/27 robusta crop. Below-normal rainfall = robusta backwardation extends.
Sep 2026	Brazil 2027/28 flowering window begins	CRITICAL	El Nino impact on next-cycle production. Inadequate rainfall = forward curve must reprice.

IU RESEARCH VERDICT

POSTURE: MONITOR / EARLY SETUP

NOT YET ACTIONABLE - AWAITING TRIGGER CONFIRMATION

Coffee at $2.60/lb in June 2026 sits at a meaningful analytical inflection. The bearish consensus -- Brazil's record 2026/27 crop, the 10-million-bag forecast surplus, the positive biennial year, the favorable weather and the absence of frost risk -- is coherent, well-sourced, and fully expressed in the price. A reasonable observer reading only the headline supply data would conclude that arabica is appropriately priced near the lower end of its 2025-2026 range and that further downside remains the path of least resistance into harvest delivery.

The physical market is telling a different story. ICE certified arabica stocks at 412,422 bags are at a six-month low entering a forecast record harvest. The KC futures curve is in 6-8% annualized backwardation -- a structure that exists only when the spot market is physically tighter than the deferred. Managed Money speculative net longs at +19,624 contracts represent a 75% reduction from the January 2025 peak, leaving the contract structurally positioned for upside surprise rather than downside continuation. Brazilian exports were down 12.4% YoY through May despite the harvest beginning. The Brazilian Real continues to strengthen, reinforcing producer hold-back behavior. NOAA officially declared El Nino on June 11, with a 63% probability of a very strong event persisting through winter 2026-27 -- threatening the 2027/28 flowering cycle that the curve is not pricing.

None of this constitutes a buy signal. The contrarian setup is forming, but it has not matured. Three of the four Tier 1 activation triggers require additional confirmation -- the stocks watch through mid-August, the curve persistence through July, and the positioning reset to a sub-20 CSI reading. The June 11 CECAFE print (3.089M bags, +3.6% YoY) -- the first growth print of 2026 -- introduces a credible bearish marginal data point that the report weighs but does not consider thesis-breaking. The acceleration was robusta-led; arabica is deferred to the second half. The June and July CECAFE prints, published in early July and early August respectively, will resolve whether the producer hold-back dynamic is genuinely releasing across both varieties or whether arabica-specific behavior maintains the divergence.

The recommended posture across the IU community is therefore **watchful preparation**: build the watchlist, monitor the trigger conditions, and be prepared to act on a subsequent IU note when the activation framework specified in Section X is satisfied. The most diagnostic single near-term observation is the Tuesday/Wednesday ICE stock report; the most diagnostic monthly print is CECAFE's June export data, due in early July. The most diagnostic forward catalyst is the USDA July WASDE report for any revision to Brazil's 2026/27 estimate. None of these alone changes the posture. In combination, they will.

Coffee's history is one of asymmetric reversals. The 2024-2025 doubling is the recent proof of concept: a market priced for deficit that moved hard and fast the moment the deficit became visible. A market priced for surplus where the surplus fails to materialize has historically produced the highest-quality long entries in the soft commodities complex. The setup is forming. The trigger has not yet fired. **Wait.**

INTERMARKET UNIVERSE RESEARCH

Reference Date: June 9, 2026 (price anchor) | June 2, 2026 (COT anchor) | June 11, 2026 (CECAFE anchor)

Next scheduled coffee update: post-July WASDE / June CECAFE print (early July 2026)

SECTION

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SECTION

GLOSSARY OF KEY TERMS

Definitions tailored to the analytical scope of this report. Terminology drawn from the coffee complex specifically; broader cross-commodity terminology is omitted where not directly applicable. Common market abbreviations (ICE, KC, MM, RM) are spelled out at first use in the body text and are not duplicated here.

Arabica (Coffea Arabica)

The premium, milder-flavored coffee species accounting for approximately 60-65% of global coffee production. Grown primarily at higher altitudes; sensitive to temperature, rainfall, and frost. Priced on the ICE New York exchange as the Coffee C (KC) contract. Brazil produces approximately 70% of the world's arabica.

Backwardation

Futures curve structure in which the front-month contract trades at a premium to deferred months -- the inverse of contango. Indicates immediate physical scarcity, as buyers are willing to pay more for prompt delivery than for delivery later. Sustained backwardation in a storable commodity is a signal of genuine tightness in the spot market.

Biennial Cycle (Coffee On-Year / Off-Year)

The natural biological tendency of arabica trees to alternate between a heavy-yield year (on-year) and a lighter-yield year (off-year). Stems from the metabolic cost of carrying a heavy fruit load: a tree that produces abundantly in one season necessarily reduces production in the next. Brazil's biennial cycle dominates global arabica supply variance.

CECAFE

Conselho dos Exportadores de Café do Brasil -- the Brazilian Coffee Exporters Council. Publishes monthly Brazilian coffee export data, including total volumes, destination breakdowns, and arabica/robusta splits. Treated as the authoritative real-time origin flow data for the Brazilian market.

CONAB

Companhia Nacional de Abastecimento -- the Brazilian National Supply Company, a government agency. Publishes the official Brazilian government coffee crop estimates, typically in January, May, and September. CONAB estimates have historically been more conservative than private trade estimates.

Contango

Futures curve structure in which deferred-month contracts trade at a premium to the front month -- the normal resting state of most storable commodities when supply is adequate. The premium reflects the cost of carrying physical inventory between today and the deferred delivery date (storage, financing, insurance).

COT (Commitments of Traders)

Weekly report published by the U.S. Commodity Futures Trading Commission categorizing open positions in U.S. futures contracts by participant type: producers/merchants, swap dealers, managed money (speculators), and other reportables. The Disaggregated COT for Coffee C is the standard reference for arabica positioning analysis.

ENSO / El Nino / La Nina

El Nino-Southern Oscillation: the periodic warming (El Nino) or cooling (La Nina) of equatorial Pacific Ocean temperatures, which alters global weather patterns. For coffee, El Nino typically brings warmer and drier conditions to Brazil's coffee belt (mixed effects by season) and reduced rainfall to Vietnam's Central Highlands.

ICO (International Coffee Organization)

Intergovernmental organization headquartered in London serving coffee-producing and consuming nations. Publishes the ICO Composite Indicator price and tracks global production, consumption, and export statistics.

IU CSI (Commodity Sentiment Index)

Intermarket Universe's proprietary normalization of managed-money net positioning to a 0-100 scale relative to the trailing 52-week range. Readings: 0-19 Extreme Washout (Sentiment Reset); 20-39 Mildly Washed Out (Trend Short); 40-59 Balanced; 60-79 Trend Long; 80-100 Sentiment Stretched. Used to identify contrarian setup zones.

Open Interest

The total number of outstanding futures contracts that have not been closed by an opposite transaction. A measure of total participation in the contract; rising open interest with trending price confirms the trend, while falling open interest signals waning conviction.

Producer Hold-Back

The behavior of coffee producers retaining inventory rather than selling at the prevailing export price, typically motivated by unfavorable currency conversion (strong local currency vs. weak USD), low absolute price levels, or expectation of higher prices ahead. The most important non-weather supply-side driver in the Brazilian arabica market.

Robusta (Coffea Canephora)

The hardier, lower-grade coffee species accounting for approximately 35-40% of global production. Grown at lower altitudes; more tolerant of heat and pest pressure than arabica. Used primarily in instant coffee, commercial blends, and food-service applications. Priced on the ICE London exchange as the Robusta (RM) contract. Vietnam produces approximately 40% of global robusta.

USDBRL

The exchange rate of the U.S. dollar against the Brazilian Real, quoted as reais per dollar. A rising USDBRL (BRL weakening) accelerates Brazilian coffee exports by improving producer dollar-to-real conversion; a falling USDBRL (BRL strengthening) discourages exports and produces hold-back behavior.

USDA WASDE

World Agricultural Supply and Demand Estimates -- the U.S. Department of Agriculture's monthly publication of global supply, demand, and stock estimates for major agricultural commodities. Treated as a primary benchmark for global crop balances and consensus market expectations.

Volcafe

A major international green coffee trader, subsidiary of ED&F; Man Holdings. Publishes widely-cited global arabica and robusta balance estimates referenced across the trade. Their quarterly outlook is one of the standard inputs to consensus supply/demand forecasting.