

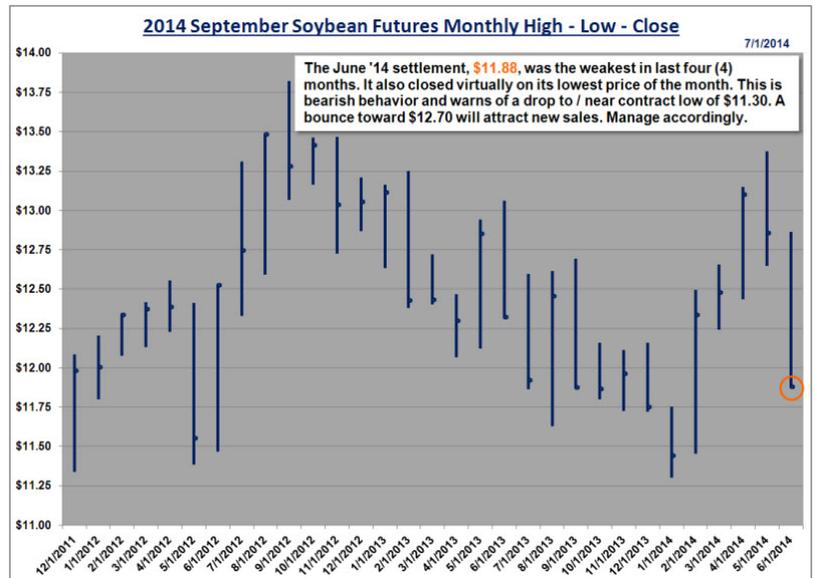


Selling Your Yields: *Soybean Complex*

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The 2013/14 U.S. stocks-to-use ratio is 3.7%, the smallest in history. The world ratio, 29.5%, is the largest in many years and indicates ample supply - just not in the U.S. at present. The recent USDA stocks and acreage reports proved bearish. Supply is less concerning than recently assumed. U.S. old crop prices will remain inverted vs. new until the market is more comfortable with 2014 production prospect and old crop rationing or more importation is evident. This scenario will make for treacherous price discovery for weeks to come.



The value of the synthetic August '14 futures Gross Processing Margin or crush (spot GPM) is much stronger vs. one year ago. At present, the economics in processing is marginally profitable. The economics do not warrant a decline in processing capacity and will not encourage early seasonal downtime. The economics are good in new crop margin as well. In select USA regions soy meal is in heated competition with DDG's as primary protein source. Ethanol economics are profitable and production capacities have increased generating more co-product. In select northern U.S. regions canola meal has also become price competitive. This is healthy competition among protein sources but also tempers protein price velocity.

China remains a dominant market factor in U.S. and world soy price discovery as their demand for protein / vegetable protein and veg oils trends higher. Their economy is positioned for long-term consumer driven improvement. They have aggressively bought U.S. soybeans. However, China and other importers will meter their needs between U.S / North American supply and large South American production. Therefore the structure of the global market is precarious / volatile depending heavily on South American logistics and government policies.

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The following factors: U.S. crush margins, export sales & shipments (solid to date), large 2013/14 South American crop and expected record large U.S. new crop, Western Hemisphere weather, exchange rates, Chinese procurement strategy and subsequent purchases / cancellations/ deferrals, geopolitical risks and uncertain macroeconomic backdrop will drive price. The aforementioned factors are complex and will keep volatility high. Remain vigilant of weekly U.S. export sales at www.fas.usda.gov/export-sales/highlite.htm. For current and upcoming supply and demand forecast, see www.usda.gov/oce/commodity/wasde/index.htm.

Tightly held on-hand U.S. supplies, but large Canadian canola / oilseed supplies, and large South American crop need be acknowledged and factored in marketing decisions moving forward. The three aforementioned regions are exporters and compete for global business. Soy & soy product consumers are presently planning on ample world year / year supplies and will meter their purchases accordingly.

Commodity fund / investor positioning will remain a vital part of price discovery. Abrupt swings in price can be expected as they adjust positions in response to a host of rapidly changing market signals.

The charge remains managing the risks and / or opportunities associated with this unique set of market factors and inherent volatility. In the next several days, the old crop August '14 CME Group (CBOT) futures contract is positioned to trade in a range from \$12.65 - \$14.15. Because of seasonal risk making incremental cash sale based on upper end of futures price range is prudent price risk management. The November 2014 (SX '14 / new crop) is positioned to trade in a range from \$11.08 - \$12.19. It's presently not timely to make sale / short hedge / buy put option at or below the bottom of aforementioned futures ranges but rather at / near the upper end of ranges, respectively. Option strategies may assist in managing the risks and / or opportunities associated with both short hedging (producer's perspective) and long hedging (consumer's perspective). To research Ag options, see www.cmegroup.com/education/options.html.

The August '14 CME Group (CBOT) soybean meal and soybean oil futures contracts are positioned to trade in ranges from \$489 - \$471 and \$0.3610 - \$0.4190 over the course of the next couple weeks, respectively. It's currently not advisable to make purchases at or above the top of aforementioned meal and oil price ranges but rather at / near the low end of ranges. Tight U.S. old crop soybean supply, U.S. export sales / cancellations / deferrals (to China in particular), U.S. processing margin, Western Hemisphere

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weather, large 2013/14 South American crop and potentially record '14/15 U.S. crop, investor flows, currency fluctuations, geopolitical developments and uncertain macroeconomic backdrop will remain powerful day-to-day price discovery factors. Because of such complexity price volatility will remain high.

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