



**Virgil Robinson**

Marketing Analyst  
Pioneer Hi-Bred

## Selling Your Yields: *Soybean Complex*

The 2013/14 U.S. stocks-to-use ratio is 4.1%, one of the smallest in history. The world ratio, 30%, is the largest in many years and indicates ample supply – just not in the U.S. at present! The recent Crop Production & WASDE 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 confident of record 2014 production. This scenario will make for treacherous price discovery for weeks to come.

The value of the synthetic August & September '14 futures Gross Processing Margin or crush (spot GPM) is much stronger and unchanged vs. 1 year ago, respectively. At present the economics in processing/crushing is profitable. The economics do not warrant a major decline in processing capacity and will not encourage extended seasonal downtime. The economics are good in new crop margin as well. In select U.S. regions soy meal is in heated competition with DDG's as primary protein source. Ethanol production is profitable and 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 and has tempered protein prices.

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, exchange rates and government policies.

The following factors: U.S. crush margins, export sales & shipments (solid to date), large 2013/14 South American crop and expected record large USA 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](http://www.fas.usda.gov/export-sales/highlite.htm)). For current and upcoming supply and demand forecasts see [www.usda.gov/oce/commodity/wasde/index.htm](http://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 3 aforementioned

This presentation contains forward-looking statements based on expectations, estimates and projections that are not guarantees of future performance and involve a number of uncertainties and assumptions.

The content is provided "AS IS," "AS AVAILABLE." Pioneer Hi-Bred International, Inc. does not warrant the accuracy or completeness of the information, text, graphics, links, or other items contained in this communication, and Pioneer Hi-Bred International, Inc. expressly disclaims liability for errors or omissions in these materials. We reserve the right to make changes and corrections at any time, without notice.

Pioneer Hi-Bred International, Inc. expressly disclaims all liability for the use or interpretation by others of information contained in this Pioneer Hi-Bred International, Inc. communication. Decisions based on information contained in the Pioneer Hi-Bred International, Inc. communication are the sole responsibility of the reader, and in exchange for using the Pioneer Hi-Bred International, Inc. communication the reader agrees to hold Pioneer Hi-Bred International, Inc. harmless against any claims for damages arising from any decisions that the reader makes based on such information. Nothing contained in this Pioneer Hi-Bred International, Inc. communication constitutes investment advice.





**Virgil Robinson**

Marketing Analyst  
Pioneer Hi-Bred

## Selling Your Yields: *Soybean Complex*

---

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 \$11.03 - \$12.57. 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 \$10.33 - \$11.43. The November 2015 futures contract is positioned to trade in a range from \$10.43 - \$11.41. 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](http://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 \$344 - \$414 and \$0.3290 - \$0.3990 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 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.

This presentation contains forward-looking statements based on expectations, estimates and projections that are not guarantees of future performance and involve a number of uncertainties and assumptions.

The content is provided "AS IS," "AS AVAILABLE." Pioneer Hi-Bred International, Inc. does not warrant the accuracy or completeness of the information, text, graphics, links, or other items contained in this communication, and Pioneer Hi-Bred International, Inc. expressly disclaims liability for errors or omissions in these materials. We reserve the right to make changes and corrections at any time, without notice.

Pioneer Hi-Bred International, Inc. expressly disclaims all liability for the use or interpretation by others of information contained in this Pioneer Hi-Bred International, Inc. communication. Decisions based on information contained in the Pioneer Hi-Bred International, Inc. communication are the sole responsibility of the reader, and in exchange for using the Pioneer Hi-Bred International, Inc. communication the reader agrees to hold Pioneer Hi-Bred International, Inc. harmless against any claims for damages arising from any decisions that the reader makes based on such information. Nothing contained in this Pioneer Hi-Bred International, Inc. communication constitutes investment advice.

