

Teucrium Commodity Trust
Form 10-Q
November 10, 2014
UNITED STATES

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the quarterly
x
period ended September 30, 2014.

OR

.. Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the
transition period from to .

Commission File Number: 001-34765

Teucrium Commodity Trust
(Exact name of registrant as specified in its charter)

Delaware 61-1604335
(State or other jurisdiction of (I.R.S. Employer
incorporation or organization) Identification No.)

232 Hidden Lake Road, Building A
Brattleboro, Vermont 05301
(Address of principal executive offices) (Zip code)

(802) 257-1617
(Registrant's telephone number, including area code)

N/A
(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer Accelerated filer

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

Non-accelerated filer

Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the last practicable date.

	Total Number of Outstanding Shares as of November 3, 2014
Teucrium Corn Fund	4,750,004
Teucrium WTI Crude Oil Fund	50,002
Teucrium Natural Gas Fund	100,004
Teucrium Sugar Fund	200,004
Teucrium Soybean Fund	500,004
Teucrium Wheat Fund	2,375,004
Teucrium Agricultural Fund	50,002

TEUCRIUM COMMODITY TRUST

Table of Contents

	Page
<u>Part I. FINANCIAL INFORMATION</u>	3
<u>Item 1. Financial Statements.</u>	3
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.</u>	129
<u>Item 3. Quantitative and Qualitative Disclosures About Market Risk.</u>	165
<u>Item 4. Controls and Procedures.</u>	168
<u>Part II. OTHER INFORMATION</u>	169
<u>Item 1. Legal Proceedings.</u>	169
<u>Item 1A. Risk Factors.</u>	169
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.</u>	187
<u>Item 3. Defaults Upon Senior Securities.</u>	189
<u>Item 4. Mine Safety Disclosures.</u>	189
<u>Item 5. Other Information.</u>	189
<u>Item 6. Exhibits.</u>	190

Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

Index to Financial Statements

Documents	Page
<u>TEUCRIUM COMMODITY TRUST</u>	4
<u>Combined Statements of Assets and Liabilities at September 30, 2014 (Unaudited) and December 31, 2013</u>	4
<u>Combined Schedule of Investments at September 30, 2014 (Unaudited) and December 31, 2013</u>	5
<u>Combined Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013</u>	7
<u>Combined Statements of Changes in Net Assets (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	8
<u>Combined Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	9
<u>Notes to Combined Financial Statements</u>	10
<u>TEUCRIUM CORN FUND</u>	22
<u>Statements of Assets and Liabilities at September 30, 2014 (Unaudited) and December 31, 2013</u>	22
<u>Schedule of Investments at September 30, 2014 (Unaudited) and December 31, 2013</u>	23
<u>Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013</u>	25
<u>Statements of Changes in Net Assets (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	26
<u>Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	27
<u>Notes to Financial Statements</u>	28
<u>TEUCRIUM NATURAL GAS FUND</u>	38
<u>Statements of Assets and Liabilities at September 30, 2014 (Unaudited) and December 31, 2013</u>	38
<u>Schedule of Investments at September 30, 2014 (Unaudited) and December 31, 2013</u>	39
<u>Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013</u>	41
<u>Statements of Changes in Net Assets (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	42
<u>Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	43
<u>Notes to Financial Statements</u>	44
<u>TEUCRIUM WTI CRUDE OIL FUND</u>	53
<u>Statements of Assets and Liabilities at September 30, 2014 (Unaudited) and December 31, 2013</u>	53
<u>Schedule of Investments at September 30, 2014 (Unaudited) and December 31, 2013</u>	54
<u>Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013</u>	56
<u>Statements of Changes in Net Assets (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	57
<u>Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	58
<u>Notes to Financial Statements</u>	59
<u>TEUCRIUM SOYBEAN FUND</u>	69
<u>Statements of Assets and Liabilities at September 30, 2014 (Unaudited) and December 31, 2013</u>	69
<u>Schedule of Investments at September 30, 2014 (Unaudited) and December 31, 2013</u>	70
<u>Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013</u>	72
<u>Statements of Changes in Net Assets (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	73
<u>Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	74
<u>Notes to Financial Statements</u>	75
<u>TEUCRIUM SUGAR FUND</u>	85
<u>Statements of Assets and Liabilities at September 30, 2014 (Unaudited) and December 31, 2013</u>	85
<u>Schedule of Investments at September 30, 2014 (Unaudited) and December 31, 2013</u>	86
<u>Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013</u>	88
<u>Statements of Changes in Net Assets (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	89
<u>Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	90

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

<u>Notes to Financial Statements</u>	91
<u>TEUCRIUM WHEAT FUND</u>	100
<u>Statements of Assets and Liabilities at September 30, 2014 (Unaudited) and December 31, 2013</u>	100
<u>Schedule of Investments at September 30, 2014 (Unaudited) and December 31, 2013</u>	101
<u>Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013</u>	103
<u>Statements of Changes in Net Assets (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	104
<u>Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	105
<u>Notes to Financial Statements</u>	106
<u>TEUCRIUM AGRICULTURAL FUND</u>	116
<u>Statements of Assets and Liabilities at September 30, 2014 (Unaudited) and December 31, 2013</u>	116
<u>Schedule of Investments at September 30, 2014 (Unaudited) and December 31, 2013</u>	117
<u>Statements of Operations (Unaudited) for the three and nine months ended September 30, 2014 and 2013</u>	119
<u>Statements of Changes in Net Assets (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	120
<u>Statements of Cash Flows (Unaudited) for the nine months ended September 30, 2014 and 2013</u>	121
<u>Notes to Financial Statements</u>	122

TEUCRIUM COMMODITY TRUST
 COMBINED STATEMENTS OF ASSETS AND LIABILITIES

	September 30, 2014 (Unaudited)	December 31, 2013
Assets		
Cash and cash equivalents	\$ 132,429,843	\$ 58,707,245
Interest receivable	7,834	4,100
Other assets	721,742	382,782
Equity in trading accounts:		
Commodity futures contracts	3,460	171,580
Due from broker	30,590,984	11,768,320
Total equity in trading accounts	30,594,444	11,939,900
Total assets	\$ 163,753,863	\$ 71,034,027
Liabilities		
Management fee payable to Sponsor	110,270	53,100
Other liabilities	69,015	55,609
Equity in trading accounts:		
Commodity futures contracts	22,047,265	5,960,806
Due to broker	—	97,602
Total equity in trading accounts	22,047,265	6,058,408
Total liabilities	22,226,550	6,167,117
Net assets	\$ 141,527,313	\$ 64,866,910

The accompanying notes are an integral part of these financial statements.

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

TEUCRIUM COMMODITY TRUST
 COMBINED SCHEDULE OF INVESTMENTS
 September 30, 2014
 (Unaudited)

Description: Assets	Fair Value	Percentage of Net Assets	Principal/Shares
Cash equivalents			
United States Treasury obligations			
U.S. Treasury bills, 0.0125%, due December 4, 2014 (cost \$9,999,684)	\$9,999,820	7.07	% 10,000,000
Money market funds			
Dreyfus Cash Management - Institutional (cost \$122,430,023)	122,430,023	86.51	122,430,023
Total cash equivalents	\$132,429,843	93.58	%
Notional Amount (Long Exposure)			
Commodity futures contracts			
United States natural gas futures contracts			
NYMEX natural gas futures NOV15 (7 contracts)	\$430	0.00	% \$280,840
United States WTI crude oil futures contracts			
WTI crude oil futures DEC14 (8 contracts)	1,950	0.00	722,160
WTI crude oil futures DEC15 (8 contracts)	1,080	0.00	696,480
Total commodity futures contracts	\$3,460	0.00	% \$1,699,480
Percentage of Net Assets			
Notional Amount (Long Exposure)			
Description: Liabilities	Fair Value	Percentage of Net Assets	Notional Amount (Long Exposure)
Commodity futures contracts			
United States corn futures contracts			
CBOT corn futures MAR15 (2,190 contracts)	\$5,672,712	4.01	% \$36,518,250
CBOT corn futures MAY15 (1,832 contracts)	1,967,987	1.39	31,327,200
CBOT corn futures DEC15 (1,992 contracts)	8,949,038	6.32	36,528,300
United States natural gas futures contracts			
NYMEX natural gas futures MAR15 (7 contracts)	30,030	0.02	290,850
NYMEX natural gas futures APR15 (8 contracts)	10,800	0.01	309,840
NYMEX natural gas futures OCT15 (8 contracts)	1,900	0.00	313,760
United States WTI crude oil futures contracts			
WTI crude oil futures JUN15 (7 contracts)	30,550	0.02	616,210
United States soybean futures contracts			
CBOT soybean futures JAN15 (33 contracts)	364,975	0.26	1,520,063
CBOT soybean futures MAR15 (27 contracts)	77,875	0.06	1,255,163
CBOT soybean futures NOV15 (33 contracts)	284,500	0.20	1,546,875
United States sugar futures contracts			

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

ICE sugar futures MAY15 (49 contracts)	134,400	0.09	915,947
ICE sugar futures JUL15 (42 contracts)	12,365	0.01	795,917
ICE sugar futures MAR16 (45 contracts)	70,470	0.05	910,728
United States wheat futures contracts			
CBOT wheat futures MAR15 (387 contracts)	1,347,600	0.95	9,491,175
CBOT wheat futures MAY15 (325 contracts)	654,338	0.46	8,104,688
CBOT wheat futures DEC15 (355 contracts)	2,437,725	1.72	9,438,563
Total commodity futures contracts	\$22,047,265	15.57	% \$139,883,529

Shares

Exchange-traded funds*			
Teucrium Corn Fund	\$376,964	0.27	% 16,533
Teucrium Soybean Fund	379,006	0.27	19,781
Teucrium Wheat Fund	357,196	0.25	33,037
Teucrium Sugar Fund	410,199	0.29	31,124
Total exchange-traded funds (cost \$2,462,669)	\$1,523,365	1.08	%

*The investments in securities, at fair value are not included on the combined statements of assets and liabilities due to the fact that these represent holdings of the Underlying Funds owned by the Teucrium Agricultural Fund, which are included as shares outstanding of the Underlying Funds.

The accompanying notes are an integral part of these financial statements.

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

TEUCRIUM COMMODITY TRUST
 COMBINED SCHEDULE OF INVESTMENTS
 December 31, 2013

Description: Assets	Fair Value	Percentage of Net Assets	Shares
Cash equivalents			
Money market funds			
Dreyfus Cash Management - Institutional (cost \$50,707,245)	\$58,707,245	90.50	% 58,707,245
			Notional Amount (Long Exposure)
Commodity futures contracts			
United States natural gas futures contracts			
NYMEX natural gas futures MAR14 (10 contracts)	\$21,140	0.03	% \$419,300
NYMEX natural gas futures APR14 (11 contracts)	17,400	0.03	451,550
NYMEX natural gas futures OCT14 (11 contracts)	23,670	0.04	457,820
NYMEX natural gas futures NOV14 (11 contracts)	21,840	0.03	462,440
United States WTI crude oil futures contracts			
WTI crude oil futures JUN14 (7 contracts)	61,910	0.10	680,960
WTI crude oil futures DEC14 (7 contracts)	25,620	0.04	649,040
Total commodity futures contracts	\$171,580	0.27	% \$3,121,110
			Notional Amount (Long Exposure)
Description: Liabilities	Fair Value	Percentage of Net Assets	Notional Amount (Long Exposure)
Commodity futures contracts			
United States corn futures contracts			
CBOT corn futures MAY14 (772 contracts)	\$1,831,300	2.82	% \$16,607,650
CBOT corn futures JUL14 (652 contracts)	482,913	0.74	14,246,200
CBOT corn futures DEC14 (739 contracts)	2,570,575	3.96	16,636,738
United States WTI crude oil futures contracts			
WTI crude oil futures DEC15 (8 contracts)	5,080	0.01	690,320
United States soybean futures contracts			
CBOT soybean futures MAR14 (22 contracts)	58,288	0.09	1,421,750
CBOT soybean futures MAY14 (19 contracts)	4,775	0.01	1,213,150
CBOT Soybean futures NOV14 (25 contracts)	125,800	0.19	1,418,750
United States sugar futures contracts			
ICE sugar futures MAY14 (47 contracts)	60,827	0.09	871,718
ICE sugar futures JUL14 (40 contracts)	38,976	0.06	749,504
ICE sugar futures MAR15 (43 contracts)	83,597	0.13	854,840
United States wheat futures contracts			
CBOT wheat futures MAY14 (81 contracts)	208,100	0.32	2,478,600

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

CBOT wheat futures JUL14 (69 contracts)	84,750	0.13	2,127,788
CBOT wheat futures DEC14 (77 contracts)	405,825	0.63	2,465,925
Total commodity futures contracts	\$5,960,806	9.18	% \$61,782,933

			Shares
Exchange-traded funds*			
Teucrium Corn Fund	\$473,707	0.73	% 15,458
Teucrium Soybean Fund	466,670	0.72	20,331
Teucrium Wheat Fund	459,782	0.71	30,987
Teucrium Sugar Fund	484,838	0.75	34,374
Total exchange-traded funds (cost \$2,585,338)	\$1,884,997	2.91	%

*The investments in securities, at fair value are not included on the combined statements of assets and liabilities due to the fact that these represent holdings of the Underlying Funds owned by the Teucrium Agricultural Fund, which are included as shares outstanding of the Underlying Funds.

The accompanying notes are an integral part of these financial statements.

TEUCRIUM COMMODITY TRUST
 COMBINED STATEMENTS OF OPERATIONS
 (Unaudited)

	Three months ended September 30, 2014	Three months ended September 30, 2013	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Income				
Realized and unrealized gain (loss) on trading of commodity futures contracts:				
Realized gain (loss) on commodity futures contracts	\$ (19,450,244)	\$ (4,229,448)	\$ (14,349,410)	\$ (9,312,668)
Net change in unrealized appreciation or depreciation on commodity futures contracts	(10,588,412)	(1,167,783)	(16,254,579)	(2,106,891)
Interest Income	8,463	6,881	31,284	23,703
Realized gain on securities	-	70	-	70
Total loss	(30,030,193)	(5,390,280)	(30,572,705)	(11,395,786)
Expenses				
Management fees	315,995	166,410	877,945	464,328
Professional fees	267,140	346,061	620,272	801,372
Distribution and marketing fees	496,661	433,922	1,269,569	1,352,705
Custodian fees and expenses	43,310	36,256	121,314	107,800
Business permits and licenses fees	17,520	58,635	150,141	134,646
General and administrative expenses	55,147	79,047	215,625	174,306
Brokerage commissions	52,243	16,809	99,845	66,619
Other expenses	26,261	16,755	56,080	50,000
Total expenses	1,274,277	1,153,895	3,410,791	3,151,776
Expenses waived by the Sponsor	(181,352)	(209,121)	(408,686)	(675,571)
Reimbursement of expenses previously waived	8,559	174,269	379,753	364,123
Total expenses, net	1,101,484	1,119,043	3,381,858	2,840,328
Net (loss) income	(31,131,677)	(6,509,323)	(33,954,563)	(14,236,114)

The accompanying notes are an integral part of these financial statements.

TEUCRIUM COMMODITY TRUST
 COMBINED STATEMENTS OF CHANGES IN NET ASSETS
 (Unaudited)

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Operations		
Net loss	\$ (33,954,563) \$ (14,236,114)
Capital transactions		
Issuance of Shares	172,806,601	61,512,730
Change in cost of shares of the Underlying Funds acquired by Teucrium Agricultural Fund	122,669	79,976
Realized loss on shares of the Underlying Funds sold by Teucrium Agricultural Fund	(113,361) (68,970)
Redemption of Shares	(62,200,943) (32,885,850)
Total capital transactions	110,614,966	28,637,886
Net change in net assets	76,660,403	14,401,772
Net assets, beginning of period	64,866,910	56,897,696
Net assets, end of period	\$ 141,527,313	\$ 71,299,468

The accompanying notes are an integral part of these financial statements.

TEUCRIUM COMMODITY TRUST
 COMBINED STATEMENTS OF CASH FLOWS
 (Unaudited)

	Nine months ended September 30, 2014	Nine months ended September 30, 2013
Cash flows from operating activities:		
Net loss	\$(33,954,563)	\$(14,236,114)
Adjustments to reconcile net loss to net cash used in operating activities:		
Net change in unrealized appreciation or depreciation on commodity futures contracts	16,254,579	2,106,891
Realized loss on shares of the Underlying Funds sold by Teucrium Agricultural Fund excluded from net loss	(113,361)	(68,970)
Changes in operating assets and liabilities:		
Net purchases and sales of Underlying Funds acquired by Teucrium Agricultural Fund	122,669	79,976
Due from broker	(18,822,664)	(3,074,860)
Interest receivable	(3,734)	(988)
Other assets	(338,960)	(235,663)
Due to broker	(97,602)	92,567
Management fee payable to Sponsor	57,170	3,793
Other liabilities	13,406	68,885
Net cash used in operating activities	(36,883,060)	(15,264,483)
Cash flows from financing activities:		
Proceeds from sale of Shares	172,806,601	61,512,730
Redemption of Shares	(62,200,943)	(32,885,850)
Net cash provided by financing activities	110,605,658	28,626,880
Net change in cash and cash equivalents	73,722,598	13,362,397
Cash and cash equivalents, beginning of period	58,707,245	52,575,291
Cash and cash equivalents, end of period	\$132,429,843	\$65,937,688

The accompanying notes are an integral part of these financial statements.

NOTES TO COMBINED FINANCIAL STATEMENTS

September 30, 2014

(Unaudited)

Note 1 – Organization and Operation

Teucrium Commodity Trust (“Trust”), a Delaware statutory trust organized on September 11, 2009, is a series trust consisting of seven series: Teucrium Corn Fund (“CORN”), Teucrium WTI Crude Oil Fund (“CRUD”), Teucrium Natural Gas Fund (“NAGS”), Teucrium Sugar Fund (“CANE”), Teucrium Soybean Fund (“SOYB”), Teucrium Wheat Fund (“WEAT”), and Teucrium Agricultural Fund (“TAGS”). All these series of the Trust are collectively referred to as the “Funds” and singularly as the “Fund.” The Funds issue common units, called the “Shares,” representing fractional undivided beneficial interests in a Fund. The Trust and the Funds operate pursuant to the Trust’s Second Amended and Restated Declaration of Trust and Trust Agreement (the “Trust Agreement”).

On June 5, 2010, the initial Form S-1 for CORN was declared effective by the U.S. Securities and Exchange Commission (“SEC”). On June 8, 2010, four Creation Baskets for CORN were issued representing 200,000 shares and \$5,000,000. CORN began trading on the New York Stock Exchange (“NYSE”) Arca on June 9, 2010.

On October 22, 2010, the initial Forms S-1 for NAGS and CRUD were declared effective by the SEC. On January 31, 2011, four Creation Baskets for NAGS were issued representing 200,000 shares and \$5,000,000. NAGS began trading on the NYSE Arca on February 1, 2011. On February 22, 2011, four Creation Baskets for CRUD were issued representing 100,000 shares and \$5,000,000. CRUD began trading on the NYSE Arca on February 23, 2011.

On June 17, 2011, the initial Forms S-1 for CANE, SOYB, and WEAT were declared effective by the SEC. On September 16, 2011, two Creation Baskets were issued for each Fund, representing 100,000 shares and \$2,500,000, for CANE, SOYB, and WEAT. On September 19, 2011, CANE, SOYB, and WEAT started trading on the NYSE Arca.

On February 10, 2012, the Form S-1 for TAGS was declared effective by the SEC. On March 27, 2012, six Creation Baskets for TAGS were issued representing 300,000 shares and \$15,000,000. TAGS began trading on the NYSE Arca on March 28, 2012.

The specific investment objective of each Fund and information regarding the organization and operation of each Fund are included in each Fund’s financial statements and accompanying notes, as well as in other sections of this Form 10-Q filing. In general, the investment objective of each Fund is to have the daily changes in percentage terms of its Shares’ Net Asset Value (“NAV”) reflect the daily changes in percentage terms of a weighted average of the closing settlement prices for certain Futures Contracts for the commodity specified for that Fund. The investment objective of TAGS is to have the daily changes in percentage terms of NAV of its common units (“Shares”) reflect the daily changes in percentage terms of a weighted average (the “Underlying Fund Average”) of the NAVs per share of four other commodity pools that are series of the Trust and are sponsored by the Sponsor: CORN, WEAT, SOYB, and CANE (collectively, the “Underlying Funds”). The Underlying Fund Average will have a weighting of 25% to each Underlying Fund, and the Fund’s assets will be rebalanced to maintain the approximate 25% allocation to each Underlying Fund.

The accompanying unaudited financial statements have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the SEC and, therefore, do not include all information and footnote disclosures required under accounting principles generally accepted in the United States of America (“GAAP”). The financial information included herein is unaudited; however, such financial information reflects all adjustments which are, in the opinion of management, necessary for the fair presentation of the Trust’s financial statements for the interim period. It is suggested that these interim financial statements be read in conjunction with the financial statements and related notes

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

included in the Trust's Annual Report on Form 10-K, as applicable. The operating results for the nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year ending December 31, 2014.

Note 2 – Principal Contracts and Agreements

In its capacity as the Custodian for the Funds, the Custodian, currently the Bank of New York Mellon, holds for each Fund its Treasury Securities, cash and/or cash equivalents pursuant to a custodial agreement. The Custodian is also the registrar and transfer agent for each Fund's Shares. In addition, the Custodian also serves as Administrator for each Fund, performing certain administrative and accounting services and preparing certain SEC and CFTC reports on behalf of the Fund. The Custodian also acts as a broker for some, but not all, of the equity transactions related to the purchase and sale of the Underlying Funds for TAGS. For these services, the Custodian receives: for custody services: 0.0075% of average gross assets up to \$1 billion, and 0.0050% of average gross assets over \$1 billion, annually, plus certain per-transaction charges; for transfer agency services: 0.0075% of average gross assets annually; and for administrative services: 0.05% of average gross assets up to \$1 billion, 0.04% of average gross assets between \$1 billion and \$3 billion, and 0.03% of average gross assets over \$3 billion, annually. A combined minimum annual fee of up to \$125,000 for custody, transfer agency and administrative services per Fund can be assessed.

The Sponsor and the Trust employ Foreside Fund Services, LLC as the Distributor for the Funds. The Distributor receives, for its services as distributor for the Funds. The Distribution Services Agreement among the Distributor, the Sponsor and the Trust calls for the Distributor to work with the Custodian in connection with the receipt and processing of orders for Creation Baskets and Redemption Baskets and the review and approval of all Fund sales literature and advertising materials. The Distributor and the Sponsor have also entered into a Securities Activities and Service Agreement (the “SASA”) under which certain employees and officers of the Sponsor are licensed as registered representatives or registered principals of the Distributor, under FINRA rules. For its services as the Distributor, Foreside receives a fee of 0.01% of the Fund’s average daily net assets and an aggregate annual fee of \$100,000 for all Teucrium Funds, along with certain expense reimbursements. For its services under the SASA, Foreside receives a fee of \$5,000 per registered representative and \$1,000 per registered location.

Currently, Newedge USA, LLC (“Newedge USA”) serves as each Fund’s clearing broker to execute and clear the Fund’s futures and provide other brokerage-related services. For TAGS, Newedge will serve as that Fund’s clearing broker to execute and clear futures transactions. Newedge USA is a futures commission merchant and broker dealer registered with the U.S. Commodity Futures Trading Commission (“CFTC”) and the U.S. Securities and Exchange Commission (“SEC”), and is a member of FINRA. Newedge USA is a clearing member of all principal futures exchanges located in the United States as well as a member of the Chicago Board Options Exchange, International Securities Exchange, New York Stock Exchange, Options Clearing Corporation, and Government Securities Clearing Corporation. For Corn, Soybean, Sugar and Wheat Futures Contracts Newedge is paid \$8.00 per round turn, and WTI Crude Oil or Natural Gas Futures Contracts Newedge is paid \$6.00 per round turn.

The sole Trustee of the Trust is Wilmington Trust Company, a Delaware banking corporation. The Trustee will accept service of legal process on the Trust in the State of Delaware and will make certain filings under the Delaware Statutory Trust Act. For its services, the Trustee receives an annual fee of \$3,300 from the Trust.

Note 3 – Summary of Significant Accounting Policies

Basis of Presentation

The accompanying financial statements have been prepared in conformity with accounting principles generally accepted in the United States of America (“U.S. GAAP”) as detailed in the Financial Accounting Standards Board’s Accounting Standards Codification and include the accounts of the Trust, CORN, NAGS, CRUD, CANE, SOYB, WEAT and TAGS. For the periods represented by the financial statements herein the operations of the Trust contain the results of CORN, NAGS, CRUD, SOYB, CANE, WEAT, and TAGS except for eliminations for TAGS as explained below for the months during which each Fund was in operation.

Given the investment objective of TAGS as described in Note 1 above, TAGS will buy, sell and hold, as part of its normal operations, shares of the four Underlying Funds. The Trust eliminates the shares of the other series of the Trust owned by the Teucrium Agricultural Fund from its combined statements of assets and liabilities. The Trust eliminates the net change in unrealized appreciation or depreciation on securities owned by the Teucrium Agricultural Fund from its combined statements of operations. Upon the sale of the Underlying Funds by the Teucrium Agricultural Fund, the Trust includes any realized gain or loss in its combined statements of changes in net assets.

Correction of immaterial error in previously issued financial statements

Effective with the period ended June 30, 2014, expenses for the current and comparative periods are presented both gross and net of any expenses waived by or paid by the Sponsor that would have been incurred by the Funds (“expenses waived by the Sponsor”). In addition, certain expenses paid by the Sponsor on behalf of the Funds for the years ended December 31, 2012 and 2013 that were subject to possible recovery from the Funds in the following year, as had been previously disclosed in aggregate for the Trust in the Form 10-K for 2012 and 2013, have also been

included in expenses and waived/reimbursed expenses in the period incurred by the Sponsor. These expenses, if reimbursed by the Funds to the Sponsor in 2013 or 2014 are then presented as a reimbursement of expenses previously waived. "Total expenses, net", which is after the impact of any expenses waived by or reimbursed to the Sponsor, are presented in the same manner as previously reported. There is, therefore, no impact to, or change in the Net gain or Net loss in any period for the Trust and each Fund as a result of this change in presentation.

Revenue Recognition

Commodity futures contracts are recorded on the trade date. All such transactions are recorded on the identified cost basis and marked to market daily. Unrealized appreciation or depreciation on commodity futures contracts are reflected in the statements of operations as the difference between the original contract amount and the fair market value as of the last business day of the year or as of the last date of the financial statements. Changes in the appreciation or depreciation between periods are reflected in the statements of operations. Interest on cash equivalents and deposits with the Futures Commission Merchant are recognized on the accrual basis. The

Funds earn interest on its assets denominated in U.S. dollars on deposit with the Futures Commission Merchant. In addition, the Funds earn interest on funds held at the custodian at prevailing market rates for such investments.

Brokerage Commissions

Brokerage commissions on all open commodity futures contracts are accrued on a full-turn basis.

Income Taxes

The Trust, as a Delaware statutory trust, is considered a trust for federal tax purposes and is, thus, a pass through entity. For tax purposes, the Funds will be treated as partnerships. Therefore, the Funds do not record a provision for income taxes because the partners report their share of a Fund's income or loss on their income tax returns. The financial statements reflect the Funds' transactions without adjustment, if any, required for income tax purposes.

The Funds are required to determine whether a tax position is more likely than not to be sustained upon examination by the applicable taxing authority, including resolution of any related appeals or litigation processes, based on the technical merits of the position. The Funds file income tax returns in the U.S. federal jurisdiction, and may file income tax returns in various U.S. states and foreign jurisdictions. For all tax years 2011 to 2013, the Funds remain subject to income tax examinations by major taxing authorities. The tax benefit recognized is measured as the largest amount of benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. De-recognition of a tax benefit previously recognized results in the Funds recording a tax liability that reduces net assets. Based on their analysis, the Funds have determined that they have not incurred any liability for unrecognized tax benefits as of September 30, 2014 and December 31, 2013. However, the Funds' conclusions regarding this policy may be subject to review and adjustment at a later date based on factors including, but not limited to, ongoing analysis of and changes to tax laws, regulations, and interpretations thereof.

The Funds recognize interest accrued related to unrecognized tax benefits and penalties related to unrecognized tax benefits in income tax fees payable, if assessed. No interest expense or penalties have been recognized as of and for the periods ended September 30, 2014 and 2013.

The Funds may be subject to potential examination by U.S. federal, U.S. state, or foreign jurisdictional authorities in the area of income taxes. These potential examinations may include questioning the timing and amount of deductions, the nexus of income among various tax jurisdictions, and compliance with U.S. federal, U.S. state and foreign tax laws. The Funds' management does not expect that the total amount of unrecognized tax benefits will materially change over the next twelve months.

Creations and Redemptions

Authorized Purchasers may purchase Creation Baskets from each Fund. The amount of the proceeds required to purchase a Creation Basket will be equal to the NAV of the shares in the Creation Basket determined as of 4:00 p.m. New York time on the day the order to create the basket is properly received.

Authorized Purchasers may redeem shares from each Fund only in blocks of shares called "Redemption Baskets." The amount of the redemption proceeds for a Redemption Basket will be equal to the NAV of the shares in the Redemption Basket determined as of 4:00 p.m. New York time on the day the order to redeem the basket is properly received.

Each Fund receives or pays the proceeds from shares sold or redeemed within three business days after the trade date of the purchase or redemption. The amounts due from Authorized Purchasers are reflected in the statements of assets and liabilities as receivable for shares sold. Amounts payable to Authorized Purchasers upon redemption are reflected

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

in the statements of assets and liabilities as payable for shares redeemed.

There are a minimum number of baskets and associated shares specified for each Fund in the Fund's respective prospectus, as amended from time to time. Once the minimum number of baskets is reached, there can be no more redemptions until there has been a creation basket. These minimum levels are as follows:

CORN: 50,000 shares representing 2 baskets

NAGS: 100,000 shares representing 2 baskets (at minimum level as of September 30, 2014 and June 30, 2014)

CRUD: 50,000 shares representing 2 baskets (at minimum level as of September 30, 2014 and December 31, 2013)

SOYB: 50,000 shares representing 2 baskets

CANE: 50,000 shares representing 2 baskets

WEAT: 50,000 shares representing 2 baskets

TAGS: 50,000 shares representing 2 baskets (at minimum level as of September 30, 2014 and December 31, 2013)

Cash Equivalents

Cash equivalents are highly-liquid investments with original maturity dates of 90 days or less when acquired. The Trust reported its cash equivalents in the statements of assets and liabilities at market value, or at carrying amounts that approximate fair value, because of their highly-liquid nature and short-term maturities. Each Fund which a series of the Trust has the balance of its assets on deposit with banks. Assets deposited with the bank may, at times, exceed federally insured limits. The Trust had a balance of \$122,430,023 and \$58,707,245 in money market funds at September 30, 2014 and December 31, 2013, respectively; these balances are included in cash and cash equivalents on the statements of assets and liabilities. The Trust also had investments in United States Treasury Bills with a maturity of 90 days or less when acquired with a fair value of \$9,999,820 on September 30, 2014; these treasuries are recorded on the trade date.

Due from/to Broker

The amount recorded by the Trust for the amount due from and to the clearing broker includes, but is not limited to, cash held by the broker, amounts payable to the clearing broker related to open transactions and payables for commodities futures accounts liquidating to an equity balance on the clearing broker's records.

Margin is the minimum amount of funds that must be deposited by a commodity interest trader with the trader's broker to initiate and maintain an open position in futures contracts. A margin deposit acts to assure the trader's performance of the futures contracts purchased or sold. Futures contracts are customarily bought and sold on initial margin that represents a very small percentage of the aggregate purchase or sales price of the contract. Because of such low margin requirements, price fluctuations occurring in the futures markets may create profits and losses that, in relation to the amount invested, are greater than are customary in other forms of investment or speculation. As discussed below, adverse price changes in the futures contract may result in margin requirements that greatly exceed the initial margin. In addition, the amount of margin required in connection with a particular futures contract is set from time to time by the exchange on which the contract is traded and may be modified from time to time by the exchange during the term of the contract. Brokerage firms, such as the Funds' clearing brokers, carrying accounts for traders in commodity interest contracts generally require higher amounts of margin as a matter of policy to further protect themselves. Over-the-counter trading generally involves the extension of credit between counterparties, so the counterparties may agree to require the posting of collateral by one or both parties to address credit exposure.

When a trader purchases an option, there is no margin requirement; however, the option premium must be paid in full. When a trader sells an option, on the other hand, he or she is required to deposit margin in an amount determined by the margin requirements established for the underlying interest and, in addition, an amount substantially equal to the current premium for the option. The margin requirements imposed on the selling of options, although adjusted to reflect the probability that out-of-the-money options will not be exercised, can in fact be higher than those imposed in dealing in the futures markets directly. Complicated margin requirements apply to spreads and conversions, which are complex trading strategies in which a trader acquires a mixture of options positions and positions in the underlying interest.

Ongoing or "maintenance" margin requirements are computed each day by a trader's clearing broker. When the market value of a particular open futures contract changes to a point where the margin on deposit does not satisfy maintenance margin requirements, a margin call is made by the broker. If the margin call is not met within a reasonable time, the broker may close out the trader's position. With respect to the Funds' trading, the Funds (and not their shareholders personally) are subject to margin calls.

Finally, many major U.S. exchanges have passed certain cross margining arrangements involving procedures pursuant to which the futures and options positions held in an account would, in the case of some accounts, be aggregated, and margin requirements would be assessed on a portfolio basis, measuring the total risk of the combined positions.

Due from/to Broker for Securities Transactions

Due from/to broker for investments in securities are securities transactions pending settlement. The Trust and the Funds are subject to credit risk to the extent any broker with whom it conducts business is unable to fulfill contractual obligations on its behalf. The management of the Trust and the Funds monitors the financial condition of such brokers and does not anticipate any losses from these counterparties. Since the inception of the Fund, the principal broker through which the Trust and TAGS clear securities transactions for TAGS is the Bank of New York Mellon Capital Markets.

Sponsor Fee, Allocation of Expenses and Related Party Transactions

The Sponsor is responsible for investing the assets of the Funds in accordance with the objectives and policies of each Fund. In addition, the Sponsor arranges for one or more third parties to provide administrative, custodial, accounting, transfer agency and other necessary services to the Trust and the Funds, including services directly attributable to the Trust and the Funds such as accounting, financial reporting, regulatory compliance and trading activities, which the Sponsor elected not to outsource. For the performance of this service, the Funds, except for TAGS which has no such fee, are contractually obligated to pay a monthly management fee to the Sponsor, based on average daily net assets, at a rate equal to 1.00% per annum.

The Funds pay for all brokerage fees, taxes and other expenses, including licensing fees for the use of intellectual property, registration or other fees paid to the SEC, the Financial Industry Regulatory Authority (“FINRA”), formerly the National Association of Securities Dealers, or any other regulatory agency in connection with the offer and sale of subsequent Shares, after its initial registration, and all legal, accounting, printing and other expenses associated therewith. The Funds also pay the fees and expenses associated with the Trust’s tax accounting and reporting requirements. Certain aggregate expenses common to all Funds are allocated by the Sponsor to the respective funds based on activity drivers deemed most appropriate by the Sponsor for such expenses, including but not limited to relative assets under management and creation and redeem order activity. These aggregate common expenses include, but are not limited to, legal, auditing, accounting and financial reporting, tax-preparation, regulatory compliance, trading activities, and insurance costs, as well as fees paid to the Distributor, which are included in the related line item in the combined statements of operations. A portion of these aggregate common expenses are related to the Sponsor or related parties of principals of the Sponsor; these are necessary services to the Trust and the Funds, which are primarily the cost of performing accounting and financial reporting, regulatory compliance, and trading activities that are directly attributable to the Trust and the Funds. For the three months ended September 30, such expenses totaled approximately \$293,000 in 2014 and \$173,000 in 2013; of these amounts, approximately \$19,000 and \$12,000, respectively, were waived by the Sponsor. For the nine months ended September 30, such expenses were approximately \$1,066,000 in 2014 and \$797,000 in 2013; of these amounts, approximately \$62,000 and \$69,000, respectively, were waived by the Sponsor. All asset-based fees and expenses for the Funds are calculated on the prior day’s net assets.

The Sponsor has the ability to elect to pay certain expenses on behalf of the Fund or waive the management fee. This election is subject to change by the Sponsor, at its discretion. Expenses paid by the Sponsor and Management fees waived by the Sponsor are, if applicable, presented as waived expenses in the Statements of Operations for each Fund.

For the nine months ended September 30, 2014 there were \$408,686 of expenses that had been identified on the Statements of Operations of the Funds as expenses that were waived by the Sponsor and subject to recovery in future periods. These were specifically: \$89,249 for NAGS, \$90,646 for CRUD, \$50,244 for SOYB, and \$105,474 for CANE, and \$73,073 for TAGS. The Sponsor has determined that there will be no recovery sought for these amounts as of September 30, 2014 in any future period.

For the year ended December 31, 2013, there were approximately \$590,000 of expenses recorded in the financial statements of the Sponsor which were subject to reimbursement by the Funds in 2014. At that time, the Sponsor had determined that recovery of the expense amounts was not probable. For the three and nine months ended September 30, 2014, asset growth and other changes experienced by certain Funds enabled the Sponsor to claim reimbursement, respectively, of \$8,559 and \$379,753 from those Funds, specifically, \$6,997 and \$308,312 from CORN, \$227 and \$25,139 from SOYB and \$1,335 and \$46,302 from WEAT. These amounts are reflected in the combined statements of operations for the three and nine months ended September 30, 2014 as a reimbursement of a previously waived expense for the Funds from which there was recovery in 2014. There was no recovery of amounts from the other Funds. There is no remaining balance subject to possible reimbursement in 2014.

For the year ended December 31, 2012, there were approximately \$560,000 of expenses recorded in the financial statements of the Sponsor which were subject to reimbursement by the Funds in 2013. At that time, the Sponsor had determined that recovery of the expense amounts was not probable. For the three and nine months ended September 30, 2013, asset growth and other changes experienced by certain Funds enabled the Sponsor to claim reimbursement, respectively of \$174,269 and \$364,123 from those Funds, specifically \$133,971 and \$291,807 from CORN, \$20,149 and \$36,796 from SOYB and \$20,149 and \$35,520 from WEAT. These amounts are reflected in the combined statements of operations for the three and nine months ended September 30, 2013 as a reimbursement of previously waived expenses for the Funds from which there was recovery in 2013. There was no recovery of amounts from the other Funds.

On July 29, 2011, the Sponsor filed a Form 8-K with the SEC which stated that effective August 1, 2011, the Sponsor has agreed to voluntarily cap the management fee and expenses of NAGS at 1.5% per annum of the daily net assets of the Fund.

Use of Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amount of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of the revenue and expenses during the reporting period. Actual results could differ from those estimates.

Fair Value - Definition and Hierarchy

In accordance with U.S. GAAP, fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e., the “exit price”) in an orderly transaction between market participants at the measurement date.

In determining fair value, the Trust uses various valuation approaches. In accordance with U.S. GAAP, a fair value hierarchy for inputs is used in measuring fair value that maximizes the use of observable inputs and minimizes the use of unobservable inputs by

requiring that the most observable inputs be used when available. Observable inputs are those that market participants would use in pricing the asset or liability based on market data obtained from sources independent of the Trust. Unobservable inputs reflect the Trust's assumptions about the inputs market participants would use in pricing the asset or liability developed based on the best information available in the circumstances. The fair value hierarchy is categorized into three levels based on the inputs as follows:

Level 1 - Valuations based on unadjusted quoted prices in active markets for identical assets or liabilities that the Trust has the ability to access. Valuation adjustments and block discounts are not applied to Level 1 securities. Since valuations are based on quoted prices that are readily and regularly available in an active market, valuation of these securities does not entail a significant degree of judgment.

Level 2 - Valuations based on quoted prices in markets that are not active or for which all significant inputs are observable, either directly or indirectly.

Level 3 - Valuations based on inputs that are unobservable and significant to the overall fair value measurement.

The availability of valuation techniques and observable inputs can vary from security to security and is affected by a wide variety of factors including, the type of security, whether the security is new and not yet established in the marketplace, and other characteristics particular to the transaction. To the extent that valuation is based on models or inputs that are less observable or unobservable in the market, the determination of fair value requires more judgment. Those estimated values do not necessarily represent the amounts that may be ultimately realized due to the occurrence of future circumstances that cannot be reasonably determined. Because of the inherent uncertainty of valuation, those estimated values may be materially higher or lower than the values that would have been used had a ready market for the securities existed. Accordingly, the degree of judgment exercised by the Trust and the Funds in determining fair value is greatest for securities categorized in Level 3. In certain cases, the inputs used to measure fair value may fall into different levels of the fair value hierarchy. In such cases, for disclosure purposes, the level in the fair value hierarchy, within which the fair value measurement in its entirety falls, is determined based on the lowest level input that is significant to the fair value measurement.

Fair value is a market-based measure considered from the perspective of a market participant rather than an entity-specific measure. Therefore, even when market assumptions are not readily available, the Trust's own assumptions are set to reflect those that market participants would use in pricing the asset or liability at the measurement date. The Trust uses prices and inputs that are current as of the measurement date, including periods of market dislocation. In periods of market dislocation, the observability of prices and inputs may be reduced for many securities. This condition could cause a security to be reclassified to a lower level within the fair value hierarchy. For instance, when Corn Futures Contracts on the Chicago Board of Trade ("CBOT") are not actively trading due to a "limit-up" or "limit-down" condition, meaning that the change in the Corn Futures Contracts has exceeded the limits established, the Trust and the Fund will revert to alternative verifiable sources of valuation of its assets. When such a situation exists on a quarter close, the Sponsor will calculate the NAV on a particular day using the Level 1 valuation, but will later recalculate the NAV for the impacted Fund based upon the valuation inputs from these alternative verifiable sources (Level 2 or Level 3) and will report such NAV in its applicable financial statements and reports.

The Wheat Futures Contracts traded on the CBOT due to settle on December 14, 2015 (the "DEC15 Wheat Contracts") did not, in the opinion of the Trust and WEAT, trade in an actively traded futures market as defined in the policy of the Trust and WEAT for portions of the three months ended September 30, 2014. Accordingly, the Trust and WEAT classified these as a Level 2 liability as of September 30, 2014. The DEC15 Wheat Contracts were, in the opinion of the Trust and WEAT, fairly valued at settlement on September 30, 2014. In addition, for portions of the three months ended June 30, 2014, the DEC15 Wheat Contracts did not, in the opinion of the Trust and WEAT, trade in an actively traded futures market as defined in the policy of the Trust and WEAT. Accordingly, the Trust and WEAT classified these as a Level 2 liability as of June 30, 2014. The DEC15 Wheat Contracts were, in the opinion of the Trust and

WEAT, fairly valued at settlement on June 30, 2014.

For the quarter ended March 31, 2014, Soybean Futures Contracts traded on the CBOT which will settle on November 13, 2015 (the "NOV15 Soybean Contracts") did not, in the opinion of the Trust and SOYB, trade in an actively traded futures market as defined in the policy of the Trust and SOYB for the entire period during which they were held. Accordingly, the Trust and SOYB have classified these as a Level 2 liability for the period ended March 31, 2014. The NOV15 Soybean Contracts were, in the opinion of the Trust and SOYB, fairly valued at settlement on March 31, 2014. These transferred back to a Level 1 liability for the quarter ended June 30, 2014.

For the quarter ended March 31, 2014, Soybean Futures Contracts traded on the CBOT which will settle on November 13, 2015 (the "NOV15 Soybean Contracts") did not, in the opinion of the Trust and SOYB, trade in an actively traded futures market as defined in the policy of the Trust and SOYB for the entire period during which they were held. Accordingly, the Trust and SOYB have classified these as a Level 2 liability for the period ended March 31, 2014. The NOV15 Soybean Contracts were, in the opinion of the Trust and SOYB, fairly valued at settlement on March 31, 2014. These transferred back to a Level 1 liability for the quarter ended June 30, 2014.

On March 31, 2013, the Corn Futures Contracts traded on the CBOT due to settle on July 12, 2013 (the “JUL13 Corn Contracts”) were in a “limit down” condition and, in the opinion of the Trust and CORN, the reported value at the close of market on that day did not fairly value the JUL13 Corn Contracts held by CORN. Therefore, the Trust and CORN used alternative verifiable sources to value the JUL13 Corn Contracts on March 31, 2013 and the financial statements of the Trust and the Fund have been adjusted accordingly. This adjustment resulted in a (\$410,475) decrease in the unrealized change in commodity futures contracted for the Trust and CORN in excess of reported CBOT values, for the quarter ended March 31, 2013. These transferred back to a Level 1 liability for the quarter ended June 30, 2013.

For the quarter ended March 31, 2013, the Soybean Futures Contracts traded on the CBOT which will settle on November 14, 2014 (the “NOV14 Soybean Contracts”) did not, in the opinion of the Trust and SOYB, trade in an actively traded futures market as defined in the policy of the Trust and SOYB for the entire period during which they were held. Accordingly, the Trust and SOYB have classified these as a Level 2 liability for the period ended March 31, 2013. The NOV14 Soybean Contracts were, in the opinion of the Trust and SOYB, fairly valued at settlement on March 31, 2013. These transferred back to a Level 1 liability for the quarter ended June 30, 2013.

For the quarter ended June 30, 2013, Sugar Futures Contracts traded on ICE due to settle on February 27, 2015 (the “MAR15 ICE Sugar Contracts”) did not, in the opinion of the Trust and CANE, trade in an actively traded futures market as defined in the policy of the Trust and CANE for the entire period during which they were held. Accordingly, the Trust and CANE have classified these as a Level 2 liability for the period ended June 30, 2013. The MAR15 Sugar Contracts were, in the opinion of the Trust and CANE, fairly valued at settlement on June 30, 2013. These transferred back to a Level 1 liability for the quarter ended September 30, 2013.

For the quarter ended June 30, 2013, the Wheat Futures Contracts traded on the CBOT due to settle on December 12, 2014 did not, in the opinion of the Trust and WEAT, trade in an actively traded futures market as defined in the policy of the Trust and WEAT for portions of the three months ended June 30, 2013. Accordingly, the Trust and WEAT classified these as a Level 2 liability as of June 30, 2013. The DEC14 Wheat Contracts were, in the opinion of the Trust and WEAT, fairly valued at settlement on June 30, 2013. In addition, for portions of the three months ended September 30, 2013, the “DEC14 Wheat Contracts did not, in the opinion of the Trust and WEAT, trade in an actively traded futures market as defined in the policy of the Trust and WEAT. Accordingly, the Trust and WEAT classified these as a Level 2 liability as of September 30, 2013. The DEC14 Wheat Contracts were, in the opinion of the Trust and WEAT, fairly valued at settlement on September 30, 2013. All contracts traded in an active market for the quarter ended December 31, 2013.

The Funds and the Trust record their derivative activities at fair value. Gains and losses from derivative contracts are included in the statements of operations. Derivative contracts include futures contracts related to commodity prices. Futures, which are listed on a national securities exchange, such as the CBOT or the New York Mercantile Exchange (“NYMEX”), or reported on another national market, are generally categorized in Level 1 of the fair value hierarchy. OTC derivatives contracts (such as forward and swap contracts), which may be valued using models, depending on whether significant inputs are observable or unobservable, are categorized in Levels 2 or 3 of the fair value hierarchy.

Investments in the securities of the Underlying Funds are freely tradable and listed on the NYSE Arca. These investments are valued at the NAV of the Underlying Fund as of the valuation date as calculated by the administrator based on the exchange-quoted prices of the commodity futures contracts held by the Underlying Fund.

New Accounting Pronouncements

The FASB issued ASU No. 2013-07, “Presentation of Financial Statements (Topic 205): Liquidation Basis of Accounting. The amendments in this Update are being issued to clarify when an entity should apply the liquidation basis of accounting. In addition, the guidance provides principles for the recognition and measurement of assets and liabilities and requirements for financial statements prepared using the liquidation basis of accounting. The

amendments are effective for entities that determine liquidation is imminent during annual reporting periods beginning after December 15, 2013, and interim reporting periods therein. The adoption did not have a significant impact on the financial statements disclosures for the Trust or the Funds.

The FASB issued ASU No. 2013-10, "Derivatives and Hedging (Topic 815): Inclusion of the Fed Funds Effective Swap Rate (or Overnight Index Swap Rate) as a Benchmark Interest Rate for Hedge Accounting Purposes. The amendments in this Update permit the Fed Funds Effective Swap Rate (OIS) to be used as a U.S. benchmark interest rate for hedge accounting purposes under Topic 815, in addition to UST and LIBOR. The amendments also remove the restriction on using different benchmark rates for similar hedges. The amendments are effective prospectively for qualifying new or redesignated hedging relationships entered into on or after July 17, 2013. The adoption did not have a significant impact on the financial statements disclosures for the Trust or the Funds.

The FASB issued ASU No. 2013-08, "Financial Services-Investment Companies (Topic 946)-Amendments to the Scope, Measurement, and Disclosure Requirements". ASU No. 2013-08 affects the scope, measurement, and disclosure requirements for investment companies under U.S. GAAP. ASU 2013-08 is effective for interim and annual reporting periods in fiscal years beginning after December 15, 2013. The adoption did not have a material impact on the financial statements for the Trust or the Funds.

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

Note 4 – Fair Value Measurements

The Trust's assets and liabilities recorded at fair value have been categorized based upon a fair value hierarchy as described in the Trust's significant accounting policies in Note 3. The following table presents information about the Trust's assets and liabilities measured at fair value as of September 30, 2014 and December 31, 2013:

September 30, 2014

Assets:	Level 1	Level 2	Level 3	Balance as of September 30, 2014
Cash equivalents	\$ 132,429,843	\$ -	\$ -	\$ 132,429,843
Commodity futures contracts				
Natural gas futures contracts	430	-	-	430
WTI crude oil futures contracts	3,030	-	-	3,030
Total	\$ 132,433,303	\$ -	\$ -	\$ 132,433,303

Liabilities:	Level 1	Level 2	Level 3	Balance as of September 30, 2014
Commodity futures contracts				
Corn futures contracts	\$ 16,589,737	\$ -	\$ -	\$ 16,589,737
Natural gas futures contracts	42,730	-	-	42,730
WTI crude oil futures contracts	30,550	-	-	30,550
Soybean futures contracts	727,350	-	-	727,350
Sugar futures contracts	217,235	-	-	217,235
Wheat futures contracts	2,001,938	2,437,725	-	4,439,663
Total	\$ 19,609,540	\$ 2,437,725	\$ -	\$ 22,047,265

December 31, 2013

Assets:	Level 1	Level 2	Level 3	Balance as of December 31, 2013
Cash equivalents	\$ 58,707,245	\$ -	\$ -	\$ 58,707,245
Commodity futures contracts				
Natural gas futures contracts	84,050	-	-	84,050
WTI crude oil futures contracts	87,530	-	-	87,530
Total	\$ 58,878,825	\$ -	\$ -	\$ 58,878,825

Liabilities:	Level 1	Level 2	Level 3	Balance as of December 31, 2013
Commodity futures contracts				
Corn futures contracts	\$ 4,884,788	\$ -	\$ -	\$ 4,884,788
WTI crude oil futures contracts	5,080	-	-	5,080
Soybean futures contracts	188,863	-	-	188,863
Sugar futures contracts	183,400	-	-	183,400
Wheat futures contracts	698,675	-	-	698,675
Total	\$ 5,960,806	\$ -	\$ -	\$ 5,960,806

Transfers into and out of each level of the fair value hierarchy for the MAR16 Sugar Contracts, the NOV15 Soybean Contracts and the DEC15 Wheat Contracts, for the nine months ended September 30, 2014 were as follows:

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

	Transfers into Level 1	Transfers out of Level 1	Transfers into Level 2	Transfers out of Level 2	Transfers into Level 3	Transfers out of Level 3
Assets (at fair value)						
Derivative contracts						
Sugar future contracts	\$ 17,405	\$ 17,405	\$ 17,405	\$ 17,405	\$ -	\$ -

17

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

	Transfers into Level 1	Transfers out of Level 1	Transfers into Level 2	Transfers out of Level 2	Transfers into Level 3	Transfers out of Level 3
Liabilities (at fair value)						
Derivative contracts						
Soybean future contracts	\$ 12,075	\$12,075	\$12,075	\$12,075	\$ -	\$ -
Wheat future contracts	641,038	2,437,725	2,437,725	641,038	-	-
Total	\$653,113	\$2,449,800	\$2,449,800	\$653,113	\$ -	\$ -

Transfers into and out of each level of the fair value hierarchy for the JUL13 Corn Contracts, NOV14 Soybean Contracts, FEB15 Sugar Contracts and the DEC14 Wheat Contracts, for the nine months ended September 30, 2013 were as follows:

	Transfers into Level 1	Transfers out of Level 1	Transfers into Level 2	Transfers out of Level 2	Transfers into Level 3	Transfers out of Level 3
Liabilities (at fair value)						
Derivative contracts						
Corn future contracts	\$1,010,962	\$1,010,962	\$1,010,962	\$1,010,962	\$ -	\$ -
Soybean future contracts	6,850	6,850	6,850	6,850	-	-
Sugar future contracts	62,082	62,082	62,082	62,082	-	-
Wheat future contracts	194,225	448,125	448,125	194,225	-	-
Total	\$1,274,119	\$1,528,019	\$1,528,019	\$1,274,119	\$ -	\$ -

See the *Fair Value - Definition and Hierarchy* section in Note 3 above for an explanation of the transfers into and out of each level of the fair value hierarchy.

Note 5 – Derivative Instruments and Hedging Activities

In the normal course of business, the Funds utilize derivative contracts in connection with its proprietary trading activities. Investments in derivative contracts are subject to additional risks that can result in a loss of all or part of an investment. The Funds' derivative activities and exposure to derivative contracts are classified by the following primary underlying risks: interest rate, credit, commodity price, and equity price risks. In addition to its primary underlying risks, the Funds are also subject to additional counterparty risk due to inability of its counterparties to meet the terms of their contracts. For the three months ended September 30, 2014 and 2013, the Funds invested only in commodity futures contracts specifically related to each Fund. Cleared Swaps have standardized terms similar to, and are priced by reference to, a corresponding Benchmark Component Futures Contract. Additionally, Other Commodity Interests that do not have standardized terms and are not exchange-traded, referred to as "over-the-counter" Interests, can generally be structured as the parties to the Commodity Interest contract desire. Therefore, each Fund might enter into multiple Cleared Swaps and/or over-the-counter Interests intended to exactly replicate the performance of each of the Benchmark Component Futures Contracts for the Fund, or a single over-the-counter Interest designed to replicate the performance of the Benchmark as a whole. Assuming that there is no default by a counterparty to an over-the-counter Interest, the performance of the Interest will not necessarily correlate exactly with the performance of the Benchmark or the applicable Benchmark Component Futures Contract.

Futures Contracts

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

The Funds are subject to commodity price risk in the normal course of pursuing their investment objectives. A futures contract represents a commitment for the future purchase or sale of an asset at a specified price on a specified date.

The purchase and sale of futures contracts requires margin deposits with a Futures Commission Merchant (“FCM”). Subsequent payments (variation margin) are made or received by each Fund each day, depending on the daily fluctuations in the value of the contract, and are recorded as unrealized gains or losses by each Fund. Futures contracts may reduce the Funds’ exposure to counterparty risk since futures contracts are exchange-traded; and the exchange’s clearinghouse, as the counterparty to all exchange-traded futures, guarantees the futures against default.

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

The Commodity Exchange Act requires an FCM to segregate all customer transactions and assets from the FCM's proprietary activities. A customer's cash and other equity deposited with an FCM are considered commingled with all other customer funds subject to the FCM's segregation requirements. In the event of an FCM's insolvency, recovery may be limited to each Fund's pro rata share of segregated customer funds available. It is possible that the recovery amount could be less than the total of cash and other equity deposited.

The following table discloses information about offsetting assets and liabilities presented in the statements of assets and liabilities to enable users of these financial statements to evaluate the effect or potential effect of netting arrangements for recognized assets and liabilities. These recognized assets and liabilities are presented as defined in the Financial Accounting Standards Board's ("FASB") Accounting Standards Update ("ASU") No. 2011-11 "Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities" and subsequently clarified in FASB ASU 2013-01 "Balance Sheet (Topic 210): Clarifying the Scope of Disclosures about Offsetting Assets and Liabilities."

The following table also identifies the fair value amounts of derivative instruments included in the statements of assets and liabilities as derivative contracts, categorized by primary underlying risk and held by the FCM, currently Newedge USA LLC, as of September 30, 2014 and December 31, 2013.

Offsetting of Financial Assets and Derivative Assets as of September 30, 2014

	(i)	(ii)	(iii) = (i) - (ii)	(iv)	(v) = (iii) - (iv)	
					Gross Amount Not Offset in the Statement of Assets and Liabilities	
Description	Gross Amount of Recognized Assets	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Futures Contracts Available for Offset	Collateral, Due to Broker	Net Amount
Commodity price						
Natural gas futures contracts	\$ 430	\$ -	\$ 430	\$ 430	\$ -	\$ -
WTI crude oil futures contracts	3,030	-	3,030	3,030	-	-

Offsetting of Financial Liabilities and Derivative Liabilities as of September 30, 2014

	(i)	(ii)	(iii) = (i) - (ii)	(iv)	(v) = (iii) - (iv)	
					Gross Amount Not Offset in the Statement of Assets and Liabilities	
Description						Net Amount

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Futures Contracts Available for Offset	Collateral, Due from Broker	
Commodity price						
Corn futures contracts	\$ 16,589,737	\$ -	\$ 16,589,737	\$ -	\$ 23,455,087	\$ 6,865,350
Natural gas futures contracts	42,730	-	42,730	430	84,248	41,948
WTI crude oil futures contracts	30,550	-	30,550	3,030	22,655	4,865
Soybean futures contracts	727,350	-	727,350	-	938,888	211,538
Sugar futures contracts	217,235	-	217,235	-	306,170	88,935
Wheat futures contracts	4,439,663	-	4,439,663	-	5,783,936	1,344,273
Offsetting of Financial Assets and Derivative Assets as of December 31, 2013						
	(i)	(ii)	(iii) = (i) – (ii)	(iv)		(v) = (iii) – (iv)

Description	Gross Amount of Recognized Assets	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Futures Contracts Available for Offset	Gross Amount Not Offset in the Statement of Assets and Liabilities	
					Collateral, Due to Broker	Net Amount
Commodity price						
Natural gas futures contracts	\$ 84,050	\$ -	\$ 84,050	\$ -	\$ 74,157	\$ 9,893
WTI crude oil futures contracts	87,530	-	87,530	5,080	23,445	59,005

Edgar Filing: Teucrium Commodity Trust - Form 10-Q

Offsetting of Financial Liabilities and Derivative Liabilities as of December 31, 2013

Description	(i)	(ii)	(iii) = (i) – (ii)	(iv)	(v) = (iii) – (iv)		
	Gross Amount of Recognized Liabilities	Gross Amount Offset in the Statement of Assets and Liabilities	Net Amount Presented in the Statement of Assets and Liabilities	Futures Contracts Available for Offset	Gross Amount Not Offset in the Statement of Assets and Liabilities	Collateral, Due from Broker	Net Amount
Commodity price							
Corn futures contracts	\$4,884,788	\$ -	\$4,884,788	\$ -	\$9,852,213	\$4,967,425	
WTI crude oil futures contracts	5,080	-	5,080	5,080	-	-	
Soybean futures contracts	188,863	-	188,863	-	400,752	211,889	
Sugar futures contracts	183,400	-	183,400	-	261,687	78,287	
Wheat futures contracts	698,675	-	698,675	-	1,253,668	554,993	

The following is a summary of realized and unrealized gains (losses) of the derivative instruments utilized by the Trust:

Three months ended September 30, 2014

Primary Underlying Risk	Realized (Loss) Gain on Derivative Instruments	Net Change in Unrealized Loss on Derivative Instruments
Commodity price		
Corn futures contracts	\$ (16,012,787)	\$(6,859,262)
Natural gas futures contracts	4,960	(109,020)
WTI crude oil futures contracts	-	(223,730)
Soybean futures contracts	(392,525)	(553,150)
Sugar futures contracts	(134,792)	