

Teucrium Commodity Trust
Form 10-Q
May 12, 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 period ended March 31, 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

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(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
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

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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 May 1, 2014
Teucrium Corn Fund	3,150,004
Teucrium WTI Crude Oil Fund	50,002
Teucrium Natural Gas Fund	150,004
Teucrium Sugar Fund	175,004
Teucrium Soybean Fund	175,004
Teucrium Wheat Fund	750,004
Teucrium Agricultural Fund	50,002

TEUCRIUM COMMODITY TRUST

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Part I. FINANCIAL INFORMATION

Item 1. Financial Statements.

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TEUCRIUM COMMODITY TRUST**STATEMENTS OF ASSETS AND LIABILITIES**

	March 31, 2014	December 31, 2013
Assets	(Unaudited)	
Equity in BNY Mellon trading accounts:		
Cash and cash equivalents	\$ 141,831,046	\$ 58,707,245
Commodity futures contracts	7,453,677	171,580
Collateral, due from broker	9,208,488	11,768,320
Interest receivable	8,549	4,100
Other assets	425,929	382,782
Total assets	158,927,689	71,034,027
Liabilities		
Payable for shares redeemed	1,728,446	-
Commodity futures contracts	45,395	5,960,806
Collateral, due to broker	127,515	97,602
Management fee payable to Sponsor	119,556	53,100
Other liabilities	85,184	55,609
Total liabilities	2,106,096	6,167,117
Net assets	\$ 156,821,593	\$ 64,866,910

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

TEUCRIUM COMMODITY TRUST**SCHEDULE OF INVESTMENTS**

March 31, 2014

(Unaudited)

Description: Assets	Fair Value	Percentage of Net Assets	Principal Amount
Cash equivalents			
United States Treasury obligations			
U.S. Treasury bills, 0.045%, due June 5, 2014	\$9,999,730	6.38	% 10,000,000
Money market funds			
Dreyfus Cash Management	131,831,316	84.06	
Total cash equivalents	\$141,831,046	90.44	%
			Notional Amount (Long Exposure)
Commodity futures contracts			
United States corn futures contracts			
CBOT corn futures JUL14 (1,784 contracts)	\$3,566,275	2.27	% 45,202,100
CBOT corn futures SEP14 (1,539 contracts)	1,050,775	0.67	38,628,900
CBOT corn futures DEC14 (1,805 contracts)	1,583,575	1.01	44,967,063
United States natural gas futures contracts			
NYMEX natural gas futures OCT14 (11 contracts)	53,590	0.03	487,740
NYMEX natural gas futures NOV14 (11 contracts)	52,530	0.03	493,130
NYMEX natural gas futures APR15 (13 contracts)	4,990	0.00	525,980
United States WTI crude oil futures contracts			
WTI crude oil futures JUN14 (7 contracts)	86,690	0.06	705,740
WTI crude oil futures DEC14 (7 contracts)	43,890	0.03	667,310
WTI crude oil futures DEC15 (8 contracts)	6,520	0.00	701,920
United States soybean futures contracts			
CBOT soybean futures JUL14 (21 contracts)	154,063	0.10	1,500,975
CBOT soybean futures NOV15 (27 contracts)	12,075	0.01	1,538,325
United States sugar futures contracts			
ICE sugar futures JUL14 (52 contracts)	28,515	0.02	1,055,891
ICE sugar futures OCT14 (44 contracts)	22,176	0.01	914,144
United States wheat futures contracts			
CBOT wheat futures JUL14 (165 contracts)	474,050	0.30	5,787,375
CBOT wheat futures SEP14 (141 contracts)	162,213	0.10	4,996,688
CBOT wheat futures DEC14 (161 contracts)	151,750	0.10	5,779,900

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Total commodity futures contracts	\$7,453,677	4.74	% \$153,953,181
Description: Liabilities	Fair Value	Percentage of Net Assets	Notional Amount (Long Exposure)
Commodity futures contracts			
United States natural gas futures contracts			
NYMEX natural gas futures MAR15 (11 contracts)	\$5,900	0.00	% \$498,300
United States soybean futures contracts			
CBOT soybean futures NOV14 (22 contracts)	29,650	0.02	1,305,975
United States sugar futures contracts			
ICE sugar futures MAR15 (50 contracts)	9,845	0.01	1,073,520
Total commodity futures contracts	\$45,395	0.03	% \$2,877,795
Exchange-traded funds			Shares
Teucrium Corn Fund	\$530,045	0.34	% 15,333
Teucrium Soybean Fund	516,422	0.33	20,931
Teucrium Wheat Fund	517,128	0.33	31,187
Teucrium Sugar Fund	515,596	0.33	33,824
Total exchange-traded funds (cost \$2,532,772)	\$2,079,191	1.33	%

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

TEUCRIUM COMMODITY TRUST**SCHEDULE OF INVESTMENTS**

December 31, 2013

Description: Assets	Fair Value	Percentage of Net Assets	Notional Amount (Long Exposure)
Cash equivalents			
Money market funds			
Dreyfus Cash Management	\$58,707,245	90.50	%
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
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			

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CBOT wheat futures MAY14 (81 contracts)	208,100	0.32	2,478,600
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
Exchange-traded funds			Shares
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 accompanying notes are an integral part of these financial statements.

TEUCRIUM COMMODITY TRUST**STATEMENTS OF OPERATIONS****(Unaudited)**

	Three months ended March 31, 2014	Three months ended March 31, 2013
Income		
Realized and unrealized gain (loss) on trading of commodity futures contracts:		
Realized gain (loss) on commodity futures contracts	\$1,750,805	\$(2,668,820)
Net change in unrealized appreciation or depreciation on commodity futures contracts	13,197,508	(487,912)
Interest income	12,347	10,712
Total income (loss)	14,960,660	(3,146,020)
Expenses		
Management fees	232,315	140,844
Professional fees	363,649	155,900
Distribution and marketing fees	330,125	421,128
Custodian fees and expenses	34,602	35,719
Business permits and licenses fees	27,180	25,042
General and administrative expenses	89,870	38,097
Brokerage commissions	15,958	28,410
Other expenses	14,513	15,196
Total expenses	1,108,212	860,336
Net income (loss)	\$13,852,448	\$(4,006,356)

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

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

	Three months ended March 31, 2014	Three months ended March 31, 2013
Operations		
Net income (loss)	\$ 13,852,448	\$(4,006,356)
Capital transactions		
Issuance of Shares	92,757,348	28,445,655
Change in cost of shares of the Underlying Funds acquired by Teucrium	52,566	10,021
Agricultural Fund		
Realized loss on shares of the Underlying Funds sold by Teucrium Agricultural	(53,161)	(9,045)
Fund		
Redemption of Shares	(14,654,518)	(19,717,030)
Total capital transactions	78,102,235	8,729,601
Net change in net assets	91,954,683	4,723,245
Net assets, beginning of period	64,866,910	56,897,696
Net assets, end of period	\$ 156,821,593	\$ 61,620,941

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

TEUCRIUM COMMODITY TRUST**STATEMENTS OF CASH FLOWS****(Unaudited)**

	Three months ended March 31, 2014	Three months ended March 31, 2013
Cash flows from operating activities:		
Net income (loss)	\$ 13,852,448	\$ (4,006,356)
Adjustments to reconcile net income (loss) to net cash provided by (used in) operating activities:		
Net change in unrealized appreciation or depreciation on commodity futures contracts	(13,197,508)	487,912
Realized loss on shares of the Underlying Funds sold by Teucrium Agricultural Fund excluded from net loss	(53,161)	(9,045)
Changes in operating assets and liabilities:		
Purchase of Underlying Funds acquired by Teucrium Agricultural Fund	52,566	10,021
Collateral, due from broker	2,559,832	1,809,642
Interest receivable	(4,449)	(236)
Other assets	(43,147)	69,662
Collateral, due to broker	29,913	136,990
Management fee payable to Sponsor	66,456	(1,772)
Other liabilities	29,575	72,013
Net cash provided by (used in) operating activities	3,292,525	(1,431,169)
Cash flows from financing activities:		
Proceeds from sale of Shares	92,757,348	28,445,655
Redemption of Shares, net of payable for Shares redeemed	(12,926,072)	(19,717,030)
Net cash provided by financing activities	79,831,276	8,728,625
Net change in cash and cash equivalents	83,123,801	7,297,456
Cash and cash equivalents, beginning of period	58,707,245	52,575,291
Cash and cash equivalents, end of period	\$ 141,831,046	\$ 59,872,747

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

NOTES TO FINANCIAL STATEMENTS

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

Note 2 – 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 as discussed in the Shares of the Underlying Funds Held by the Teucrium Agricultural Fund (TAGS) section) for the months during which each Fund was in operation.

Reclassifications

Certain amounts in prior periods may have been reclassified to conform to current period 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

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. The Funds are subject to income tax examinations by major taxing authorities for all tax years since inception. 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 March 31, 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 March 31, 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

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and liabilities as receivable for shares sold. Amounts payable to Authorized Purchasers upon redemption are reflected 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

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

Cash Equivalents

Cash equivalents are highly-liquid investments with original maturity dates of three months or less at inception. 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. The Trust has a substantial portion 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 \$131,831,316 and \$58,707,245 in money market funds at March 31,

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 three months or less with a fair value of \$9,999,730 on March 31, 2014.

Collateral, Due from/to Broker

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.

Shares of the Underlying Funds Held by the Teucrium Agricultural Fund (TAGS)

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

Sponsor Fee and Allocation of Expenses

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. 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. 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.

For the year ended December 31, 2013, there is approximately \$590,000 of expenses recorded on the financial statements of the Sponsor which is subject to reimbursement by the Funds in 2014. The Sponsor had not yet determined if it will seek such reimbursement and, as such, due to the uncertainty of this reimbursement, the financial statements of the Trust and the Funds did not reflect an adjustment for this amount as of December 31, 2013. For the period ended March 31, 2014, the Sponsor received reimbursement of \$211,667 from the Funds with \$162,860 from CORN, \$20,090 from SOYB and \$28,717 from WEAT. There was no reimbursement of this balance from the other Funds. The balance which could be recovered for the remainder of 2014 is \$289,400.

For the year ended December 31, 2012, there was approximately \$560,000 of expenses recorded on the financial statements of the Sponsor which was subject to reimbursement by the Funds in 2013. The Sponsor had not yet determined if it would seek such reimbursement and, as such, due to the uncertainty of this reimbursement, the financial statements of the Trust and the Funds did not reflect an adjustment for this amount. The Sponsor determined, however, that it would not seek reimbursement for any portion of the amount from NAGS, CRUD, CANE and TAGS. In the period ended March 31, 2013, the Sponsor did, in fact, receive reimbursement from CORN, SOYB and WEAT of approximately \$8,000 of these expenses.

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.

For the period ended March 31, 2014, Soybean Futures Contracts traded on the CBOT due to 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 classified these as a Level 2 liability. The NOV15 Soybean Contracts were, in the opinion of the Trust and SOYB, fairly valued at settlement on March 31, 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.

For the period ended March 31, 2013, Soybean Futures Contracts traded on the CBOT due to 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 classified these as a Level 2 liability. 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.

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 significant impact on the financial statements disclosures for the Trust or the Fund.

In December 2011, the FASB issued ASU No. 2011-11, "Balance Sheet (Topic 210): Amendments of the FASB Accounting Standards Codification and Disclosures about Offsetting Assets and Liabilities in U.S. GAAP and IFRS." ASU No. 2011-11 clarifies existing requirements for balance sheet offsetting and for disclosures about the offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position in converged guidance of the FASB and the International Accounting Standards Board. The amendments are to be applied retrospectively for all comparative periods presented. For public entities, the amendments are effective for annual reporting periods beginning on or after January 1, 2013. The adoption did not have a significant impact on the financial statement disclosures for the Fund.

Note 3 – 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 2. The following table presents information about the Trust's assets and liabilities measured at fair value as of March 31, 2014 and December 31, 2013:

March 31, 2014

Assets:	Level 1	Level 2	Level 3	Balance as of March 31, 2014
Cash equivalents	\$ 141,831,046	\$ -	\$ -	\$ 141,831,046
Commodity futures contracts				
Corn futures contracts	6,200,625	-	-	6,200,625
Natural gas futures contracts	111,110	-	-	111,110
WTI crude oil futures contracts	137,100	-	-	137,100
Soybean futures contracts	154,063	12,075	-	166,138
Sugar futures contracts	50,691	-	-	50,691
Wheat futures contracts	788,013	-	-	788,013
Total	\$ 149,272,648	\$ 12,075	\$ -	\$ 149,284,723

Liabilities:	Level 1	Level 2	Level 3	Balance as of March 31, 2014
Commodity futures contracts				
Natural gas futures contracts	\$ 5,900	\$ -	\$ -	\$ 5,900
Soybean futures contracts	29,650	-	-	29,650
Sugar futures contracts	9,845	-	-	9,845
Total	\$ 45,395	\$ -	\$ -	\$ 45,395

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