



SCS Newsletter

March 10, 2016

QUICK SNAPSHOT

As we inch closer to planting season, producers have been looking at ways to effectively market both their old and new crop grain in a low-price, low-vol environment—and yesterday's so-so report failed to affect these conditions.

Even though the market has continued to trade range-bound, producers only recently took to more bullish (finally??) structures out to the end of this year in hopes of potentially capturing upside for their new crop (Floors and Ranges with additional quantities). Contracts that accumulate bushels at a higher fixed level (with knock-outs and/or double-ups) have definitely continued to be the more popular, reflecting the more neutral/bearish view of many producers.

IN THE SPOTLIGHT

Using option look-alikes to market grain has many advantages. Many elevators have taken to a tool commonly known as the "Premium Offer Contract," which works to enhance a producer's sale now by giving up some upside potential for future bushels.

SCS has its own Premium Offer Contract, called the Master Deferred Assurance Plus Plan.

Similar to selling an outright call, the SCS Master Deferred Assurance Plus Plan gives a producer a premium now on his old crop bushels, in return for potentially marketing future bushels at a set higher level. Our elevator partners have been doing these structures with SCS in increasing numbers, and for the following reasons:

- > Put the structured hedges in the SCS sub account, allowing SCS to perform all the accounting, execution, and management
- > Allows our partner elevator to keep 1/3 of edge captured
- > Ease and quickness of execution, with orders available to be placed overnight and in illiquid markets
- > Competitive markets

Though not in the Pricing Tool, SCS Master Deferred Assurance Plus Plans can be priced by hand. For custom quotes, contact your broker or the SCS Desk.

WHAT'S HOT

CORN

...with CU16 at \$3.72... CZ16 at \$3.805... CZ17 at \$3.88..

Master Deferred Floor ExtPlus Plan (CU16) - floor at 3.72 in CU16, double up in CZ16 at 4.00, all expires Aug'16, costs 8.5 cents

Master Deferred Range ExtPlus Plan (CZ16) - floor at 3.805, cap at 4.205 in CZ16, double up in CZ17 at 4.10, all expires Nov'16, costs 6.5 cents

Master Enhancer Plus Plan (CZ16) - fixed price/double up at 4.12125, k/o at 3.50, no cost



SOYBEANS

...with SX16 at \$8.96...SX17 at \$8.95

Master Enhancer Plus Plan (SX16) - fixed price/double up at 9.33, k/o at 8.20, no cost

Master Originator Plus Plan (SX16) - fixed price/double up at 9.1875, trigger at 8.20 that resets the remaining bushels to 8.96, no cost

Master Assurance Plus Plan (SX16) - fixed price/double up at 9.175, no cost

Questions? Comments? Contact us!

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