

SCS Newsletter

August 13, 2015

QUICK SNAPSHOT

Before the report came out yesterday, implied volatilities were historically high - the implieds turning out to be justified by the subsequent precipitous drop in prices.

Post the report, implied volatilities came down significantly across the board, particularly, but not restricted to, new crop. In this new environment, with prices and implied volatilities having declined, producers are likely to exhibit interest in structures that open up upside, as the cost of insurance has declined.

IN THE SPOTLIGHT

Did you know that SCS allows you to open up upside on bushels already priced as HTAs?

SCS Master Deferred Contracts (that come in two types: the Floor and Range) can be implemented on bushels already committed and priced, making them a handy tool for producers who are bullish and looking to capture potential upside moves even after the grain has been delivered.

Similar in function to the standard minimum price contract, The SCS Deferred Floor lets the producer set a base level and accumulate cash payments on a weekly basis when the chosen contract is at that level or higher.

The accumulated cash is settled at expiry of the contract, topping up the price the producer got on his HTA. The Deferred Range version of this plan works similarly, but with a cap added to it.

Extra quantities into a current (or future) crop year can be added to Deferred Contracts if they make sense to the producer, though these structures are often done without them, since they are more attractive in lower price environments.

WHAT'S HOT

CORN

... with CH16 at \$3.85... CN16 at \$3.95

Deferred Floor Plan - in CH16 (exp Feb'16) with a floor at \$3.85, costs 27.2 cents/bu

Deferred Range Plan - in CN16 (exp Jun'16) with a floor at \$3.95 and a cap at \$4.45, costs 24.2 cents/bu

Master Enhancer Plus Plan - NO COST in CN16 (exp Jun'16) with a fixed price/double up at \$4.28875 and K/O at \$3.315

SOYBEANS

...with SH16 at \$9.25 ...SN16 at \$9.30

Deferred Floor Plan - in SH16 (exp Feb'16) with a floor at \$9.25, costs 44.6 cents/bu

Deferred Range Plan - in SN16 (exp Jun'16) with a floor at \$9.30 and a cap at \$9.70, costs 27.6 cents/bu

WHEAT

... with WH16 at \$5.10

Deferred Floor Plan - in WH16 (exp Feb'16) with a floor at \$5.10, costs 33.4 cents/bu

Deferred Range Plan - in WH16 (exp Feb'16) with a floor at \$5.10 and a cap at \$5.60, costs 23.8 cents/bu



Questions? Comments? Contact us!
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