
Glossary

Advice of fate - importer's bank notification and confirmation to seller's bank that the draft and documents have either been accepted or rejected under the collections method of financing grain purchases.

Ascending triangle - when the prices traced on a price chart form the hypotenuse side of a triangle pointing upward from left to right, there is an indication that the market is in a clearly defined uptrend.

Basis - the difference between the cash price for a commodity delivered and the futures price for any given contract month of the same, or different, commodity. When the cash price is below the futures price, the basis is negative; when above the futures price, the basis is positive. The basis is determined by traders of grain. The predictability of the basis is very important to the hedger.

Bear - one who is bearish or believes the market will trade lower.

Bear spread - a short spread in the futures or cash markets. A trader buys futures or cash for the more distant period and sells the futures or cash of a nearby period which he believes overvalued. The trader profits when the spread widens.

Bearish - any factor affecting the market that causes it to go down.

Bill of Lading - a document that conveys the title to the goods; a contract by a carrier for delivery of the goods; and a receipt for the merchandise being shipped. The bill of lading may be issued as either straight (non-negotiable) or to order (negotiable).

Bull - one who is bullish or believes the market will trade higher.

Bull spread - the simultaneous purchase of futures or cash in a nearby period and the sale of like futures or cash in a deferred period. The trader profits when the spread narrows.

Bullish - any factor affecting the market, causing it to trade higher.

Carrying charges - the difference in price between one period to another, carrying charges can be positive or negative. When they are positive the market is said to be "at a carry;" when they are negative the market is "in an inverse."

Cash basis - the basis of a physical commodity in a given market; i.e., "the cash basis for Toledo corn."

Cash grain - the physical commodities. The definition encompasses all or any markets.

Cash market - a market in which buyers and sellers purchase/sell physical commodities. This can refer to a specific place, but it can also refer to the transactions themselves and need not be confined to any one place.

Cash position - trading position in a physical commodity.

Cash price - the price of the physical commodity.

Confirming bank - the financial institution that confirms payment against presentation of negotiated documents; preferably a first class U.S. bank.

Dead weight - the vessel's total carrying capacity, i.e., cargo plus fuel and water and constant (crew, machinery, spare parts, etc.). Dead weight cargo capacity is what remains after deducting fuel and water, etc., as above, for total dead weight.

Deficiency payment - payments made by the USDA to farmers who participate in the department's set-aside programs. Payment amounts to the difference between the average market price to farmers over the first five months of the crop year and the national target price.

Delivery - when ownership of a given futures contract is switched into ownership of the actual cash underlying the given futures contract during its expiration period.

Delivery markets - commodity futures exchanges which provide for making cash commodity deliveries on futures contracts upon their maturity.

Delivery period - the time period within which a buyer will provide a vessel to receive delivery on FOB contracts.

Delivery points - those locations and facilities designated by a commodity exchange where stocks of a commodity may be delivered in fulfillment of a futures sale according to exchange rules.

Derivative - a risk-sharing instrument that has the force of a binding contract and is derived from an underlying cash market. Forward contracts, futures and options on futures are all derivatives. In colloquial use, derivatives often refers to a subset of this group and is defined as products that have characteristics of both swaps and options and do not trade on an exchange.

Dockage - a factor determined for barley, flaxseed, rye, triticale and wheat, but not for other grains. Consists of material that is lighter than, larger than, and smaller than the grain and can be removed by a machine. Dockage is always determined and reported on the inspection certificate.

Double top - a formation of a technical price chart which, when fully developed, is seen as a bearish signal indicating a future downtrend.

Draft - a negotiable instrument containing an order to pay. A draft can be drawn payable upon demand (sight/demand draft), or time. Also known as a bill of exchange.

EEP - the Export Enhancement Program enacted by the U.S. Congress in 1984 to counteract unfair subsidies by the EEC; empowers the USDA to subsidize U.S. exports.

Elevator convenience - elevators generally load vessels of the same commodity in the order in which they have filed notice of readiness (NOR). However, it would not be unusual to load a soybean vessel with a later filing date before a corn vessel with an earlier filing of NOR. This would be elevator convenience. However, the charterer's agent should investigate if a vessel of the same commodity with a later filing date is loaded in front of one with an earlier filing date.

Ethanol - ethyl alcohol fermented from any number of different biomass feedstocks.

Federal Register - daily publication that compiles every regulation, or change in regulation, proposed and enacted upon by any branch of the U.S. government.

Feed grains - also known as coarse grains. This category includes corn, sorghum, barley, oats, rye and millet.

Fumigation - application of a pesticide or chemical to a cargo in order to rid the cargo of insects. The most common type of fumigant is phosphine gas, which is applied, in several different methods, to grain while in the elevator or vessel or barge. Fumigant, which can be toxic, should be handled by a firm licensed by the government.

Fundamental analysis - the study of the actual supply and demand conditions in order to make price and price trend analysis.

Futures account - an account opened with a broker to buy and/or sell commodities on the futures exchanges.

GATT - the General Agreement on Tariffs and Trade; International organization set up to promote trade development and oversee disputes between member nations.

Germination - growth or sprout of a seed.

Head and shoulders formation - one of the basic chart formations used in technical analysis. It portrays a market that has peaked, has reversed its direction, and is heading down.

Hedging - shifting the price risk to reduce or remove any unforeseen price movements in the future. The risk is shifted to those who are willing to take on the risk in hopes of making a profit (speculators).

Inverted head and shoulders formation - one of the basic chart formations used in technical analysis. It portrays a falling market that has bottomed, reversed direction, and is heading up.

Irrevocable, confirmed documentary letter of credit payable at sight - Letter of credit which may be cancelled only with the agreement of the issuing bank, confirming bank and the seller. It specifies the documents which must be presented under the letter of credit. The holder (beneficiary) will be paid when the documents specified in the L/C are presented to the bank.

Loading berth line-up - when the vessel arrives in port and has received its loading passes, it is entered into the line-up of vessels in order to take its turn in the loading berth.

Loading charges - the price incurred for the loading of cargo. The charges vary depending on the kind of vessel specified, the port visited, and the time spent at berth.

Long position - the position of buying a cash commodity or futures contract without having offset that position.

Margin - deposits posted by all futures buyers or sellers to the brokers handling their accounts, guaranteeing that the buyer/seller will meet his obligation.

Market order - when a buyer/seller on the futures market informs his broker to perform a transaction at the market price.

NAFTA - the North American Free Trade Agreement signed between the United States, Canada and Mexico to reduce internal and external trade barriers and promote trade.

Pollination - fertilization which occurs by transferring pollen from the pollen bearing organ (the anther) to the sticky tip of a flower pistil.

Positions (long or short) - market commitments. A trader whose purchases exceed his sales is said to be long or to have a long position. One whose sales exceed purchases is said to be short or have a short position.

Pre-advice - the buyer must provide to the seller the name of the vessel, its date of readiness at load port, and the capacity of the vessel prior to the minimum number of days specified in the contract. Ample time must be given for the seller to have the cargo available for prompt loading.

Price discovery - the process by which the futures and cash markets allow both buyers and sellers to find out price at a given moment.

Remittance taxes - taxes paid for transferring foreign currency in and out of a country for international transactions.

Resistance area - the point above which prices have not risen in the recent past. Indicates that prices should not go above the area in (at least) the near future and that it may be a good level to test the short side of the market.

Riders - contract extension clauses which are attached to standard contracts.

Service and facility charge - charged by export facilities, primarily on the U.S. Pacific Northwest range, to vessels loading at their berths.

Shipment periods - under a CIF or CNF contract, the time period within which the grain must be shipped. By "shipped," the market, and most contracts which govern these shipments, means the date of the bill(s) of lading.

Shipped weight - the weight of the grain that is shipped; determined by/under the supervision of FGIS or a state weighing agency. Shipped weight is almost always the weight that governs. The weight certificate is final.

Short position - the position of selling a cash commodity or futures contract without having offset the position with a purchase of equal size.

Spreads - the price difference between futures months or between markets or related commodities. Spreads help reduce price risks. Most often used to describe a futures position in which the trader is long one contract month of a given commodity and short another month of the same commodity.

Stamp tax - the government of a grain importing country may require an official stamp on documents in order to make them legal. These stamps usually require a fee or tax which is paid to the importing country's government.

Starch - a white odorless granular or powdery complex carbohydrate that is the chief storage form of carbohydrates in plants.

Stevedoring - the job involving the stowing and trimming of the vessel. Most vessel charters are FIOST, which means that the charterers arrange stevedoring. Since many elevators use in-house stevedores, it is cheaper for the importer (charterer) to buy grain under a contract which includes stowing and trimming.

Support area - the point below which prices have not dropped during declines in the recent past. The support line, which can be drawn horizontally or at an angle, tells the trader that prices are not likely to go below this support in the near future.

Swap - a forward contract, priced on the basis of a negotiated index or indices that does not include physical delivery.

Target Price - the price level established by Congress as a goal for domestic commodity prices. Farmers who participate in USDA set-aside programs receive market protection should prices fall below this level.

Technical analysis - the study of the market to predict future price movements on the basis of past price movements.

Trimmed cargo - cargo is manually or mechanically moved to the edges of the holds for safe stowage to reduce any risk of shifting during the voyage. Ordinary vessels require cargo to be trimmed.

Volatility - a measure of the stability of a price series; the speed at which price changes.