

**G84-709-A**

## Livestock Market Terms, Part II

The second in a series of three\*, this NebGuide defines terminology used in general market and futures market reports.

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Livestock producers and feeders and others involved with agriculture are exposed daily to market news articles and broadcasts.

Most people understand the terms used in the market news broadcasts and stories. Complete definitions of terms in the livestock marketing area are provided here to eliminate any misunderstanding of a market news broadcast or article.

### General Market Terms

Bulk	Majority or largest portion.
Carload	Average of 25 cattle or 75 hogs per deck, and 120 sheep per deck of a semi-truck.
Commodity	A good that is used in trade or industry and can be transported.
Demand	Desire to possess a commodity coupled with the willingness and ability to pay. Terms describing demand are: <i>Very Good</i> --Offerings or supplies are being rapidly absorbed. <i>Good</i> --Firm confidence on the part of the buyers that general market conditions are good, trading is more active than normal. <i>Moderate</i> --Average buyer interest and trading.

	<i>Light</i> --Demand is below average.
	<i>Very Light</i> --Few buyers are interested in trading.
Eleven markets	Kansas City, Omaha, St. Joseph, St. Paul, Sioux Falls, Joliet, Oklahoma City, Peoria, Fargo, Chicago.
F.O.B.	Free on board; without charge to the buyer for placing goods on board a carrier at the point of shipment.
Generally	Usually.
Instances	In certain cases.
Market	A geographical location where a commodity is traded. A price or price level at which a commodity is traded. The commodity is usually sold in the "market" at a particular time.
Market activity	Pace at which sales are being made. Terms describing market activity are:  <i>Active</i> --Available supplies are readily clearing the market. <i>Moderate</i> --Available supplies are clearing the market at a reasonable rate. <i>Slow</i> --Available supplies are not readily clearing the market. <i>Inactive</i> --Sales are intermittent with few buyers or sellers.
Mostly	The majority of sales or volume.
Packer buyers	Employed by slaughterers or packers; travel in the country and buy livestock at feedlots with payment coming from the packing company.
Pencil shrink	Negotiated or agreed upon deduction from scale weight in arriving at pay weight, commonly used in direct cattle sales; expressed as a percent.
Price trend	Direction in which prices are moving in relation to trading in the previous reporting periods. Terms describing price trends are:  <i>Higher</i> --Majority of sales are at prices measurably higher than the previous trading session. <i>Firm</i> --Prices are tending higher, but not measurably so. <i>Steady</i> --Prices are unchanged from the previous trading session. <i>Weak</i> --Prices are tending lower, but not measurably so. <i>Lower</i> --Prices for most sales are measurably lower than the previous trading session.
River or seven markets	Omaha, St. Louis, St. Joseph, Kansas City, Sioux City, St. Paul, Fargo.
Supply or offering	Quantity of a particular item available for current trading. Terms describing supply are:  <i>Heavy</i> --Volume of supplies is above average for the market being reported. <i>Moderate</i> --Volume of supplies is average for the market being reported. <i>Light</i> --Volume of supplies is below average for the market being reported.
Top	Maximum or peak price paid for a few head or a few loads.
Undertone	Situation or sense of direction in an unsettled market situation.

USDA

United States Department of Agriculture.

\* [G84-708, Livestock Market Terms, Part I](#) defines and categorizes general livestock and dressed meat terms, market types and marketing. [G84-710, Livestock Market Terms, Part III](#) covers livestock grading terms.

## Futures Market Terms

Bulk	Majority or largest portion.
Basis	Difference between the cash (spot) price of a particular commodity and a specified futures contract price for the same commodity on any given market day for a specific location.
Basis contract	A contract to purchase a specific cash commodity at a specified basis differential to a certain futures option within some agreed to time period.
Bear	One who believes prices will move lower.
Bid	A willingness to purchase at a specified price.
Bull	One who expects prices to rise.
Car	A loose quantity term sometimes used to describe a contract; e.g., "a car of bellies." Derived from the fact that quantities of the product specified in a contract used to correspond closely to the capacity of a railroad car.
Cash commodity	The actual physical commodity as distinguished from a futures commodity.
CBT	Chicago Board of Trade Center in Chicago where actual commodities or commodity futures contracts are bought and sold under definite rules and detailed trading procedures.
CFTC	The Commodity Futures Trading Commission. The independent federal agency created by Congress to regulate commodity futures trading.
Clearing house	An adjunct to a commodity exchange through which transactions executed on the floor of the exchange are settled by a process of matching purchases and sales. A clearing house is also charged with the proper conduct of delivery procedures and the adequate financing of the entire operation.
CME	Chicago Mercantile Exchange Center in Chicago where actual commodities or commodity futures contracts are bought and sold under definite rules and detailed trading procedures.
Commission	Fee charged by a broker for performance of a specific operation, such as the buying or selling of stock or commodities. The commission allows a hedger to sell and then buy back a futures commitment for a single negotiated fee.
Commitment	A trader is said to have a commitment when he assumes the obligation

	to accept or make delivery on a futures contract.
Contract	A term of reference describing a unit of trading for a commodity future. Also, an actual bilateral agreement between the buyer and seller of a futures transaction, as defined by an exchange.
Deferred futures	Of those currently traded, the futures that expire during the most distant months.
Delivery	The tender and receipt of the actual commodity or warehouse receipts covering such a commodity in settlement of a futures contract.
Delivery month	A specified month within which delivery may be made under the terms of the futures contract.
Evening up	Buying or selling to offset or liquidate an existing market position.
Floor broker	A member who is paid a fee or commission for executing orders for the customers of one or more clearing members. A floor broker must be licensed by the CFTC.
Floor trader	A member who may trade only for his own account, for an account controlled by him, or who has such a trade made for him. Also referred to as a "local."
Fundamental analysis	The study and forecasting of commodity price trends according to basic supply and demand considerations.
Futures contract	An agreement to buy and take delivery or to sell and deliver a commodity at a future date in accordance with the contract terms.
Hedge	The purchase or sale of a futures contract as a temporary substitute for a merchandising transaction to be made at a later date. It usually involves opposite positions in the cash market and the futures market at the same time.
Hedging	The act of entering the futures market to gain protection against adverse price movements. The hedger always takes a position in the futures market opposite his position in the cash market.
Long	One who has bought a futures contract(s) to establish a market position and who has not yet closed out this position through an offsetting sale or by taking delivery.
Long hedge	Accomplished by selling a cash commodity (or taking a "short" position in the cash market) and executing a hedge by taking an opposite position (buying in the futures market or taking a "long" position in the futures market) and thus a long hedge.
Margin	A cash amount of funds which must be deposited with the broker for each contract as a guarantee of fulfillment of the futures contract. It is not considered as part payment of purchase.
Margin call	Request for additional capital because of price movement against futures positions.
Nearbys	The nearest active trading month of a futures market.
Offer	Indicates a willingness to sell a futures contract at a given price.

Open interest	Number of open futures contracts. Refers to unliquidated purchases or sales, but never to their combined total.
Opening price	The price (or range) recorded during the period designated by the exchange as the official opening.
Price later contract	A contract between a buyer and seller where the buyer receives title to a commodity from the seller in return for an option on the seller's part to price the commodity at a later time based on the conditions in the contract.
Purchase and sales statement	Statement sent by brokerage firm to a customer upon a change in his futures account. Amount of contracts, dollars, price on contract, gross profit or loss, commission, and net profit or loss are shown (referred to as "P & S").
Rally	An upward movement of prices following a decline; opposite of a <i>reaction</i> .
Reaction	A decline in prices following an advance; opposite of a <i>rally</i> .
Security deposit (initial)	Synonymous with the term <i>margin</i> .
Security deposit (maintenance)	A sum usually smaller than, but part of, the original deposit or margin which must be maintained on deposit at all times. If a customer's equity in any futures position drops to or under the maintenance level, the broker must issue a call for the equity in the amount of money required to restore the customer's equity in the account to the original margin level.
Settlement price	The daily price at which the Clearing House clears all grades. The settlement price of each day's trading is based on the closing range of that day's trading. Settlement prices are used to determine both margin calls and invoice prices for deliveries.
Short	One who has sold a futures contract(s) to establish a market position and who has not yet closed out this position through an offsetting purchase or making delivery.
Short hedge	Accomplished by buying a cash commodity (or taking a "long" position in the cash market) and executing a hedge by taking the opposite position (selling) in the futures market or taking a "short" position in the futures market and thus a short hedge.
Speculation	The voluntary assumption of price risk in order to maximize profit.
Speculator	One who attempts to anticipate price changes and, through market activities, makes profits or losses; he is not using the futures market in connection with the production, processing, marketing or handling of a product.
Spread	A market position that is simultaneously long (bought) and short (short sold) equivalent amounts of the same or related commodities.
Spreads	The plan to profit from a change in the difference or spreads between the prices of the different contracts involved. Spreads may be set up between different delivery months of the same commodity or between

different but related commodities. In some markets, the term *straddle* is used synonymously.

Technical analysis	The use of price movement analysis, charts, moving averages, volume, open interest, etc., to project price trends.
Tick	Refers to a change in price, either up or down.
Volume	The number of purchases or sales of a commodity futures contract made during a specified period of time.



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