

GRAIN TERMS DEFINED

Cash Sales: The sale of a commodity for timely payment, also known as a spot sale. This transaction is covered by the grain dealer's bond.

Delayed Price: A transaction where a producer delivers grain but chooses a later date to set the price and receive payment. The title of the grain transfers to the buyer at the time of delivery on a valid delayed price contract. This type of transaction is NOT covered by any bond.

Basis Contract: A contract in which the basis portion of the final price has been established, but the futures portion has not been established. The title of the grain transfers to the buyer at the time of delivery of the grain. If the futures portion of the price is not established at the time of delivery, this type of transaction is NOT covered by any bond.

Hedge-To-Arrive (Futures only) Contract: A contract in which the futures portion of the final price has been established, but the basis portion has not been established. The title of the grain transfers to the buyer at the time of delivery of the grain. If the basis portion of the price is not established at the time of delivery, this type of transaction is NOT covered by any bond.

Forward Price Contract: A contract with an agreed upon price for the future delivery of a specified quantity of grain. Grain that has been delivered on this type of contract is covered by the grain dealer's bond.

Minimum Price: A conditional grain sales transaction establishing an agreed upon minimum price where the seller may participate in subsequent price gains, if any. The minimum price is covered by the grain dealer bond for twelve months from the date of the contract, but subsequent price gains are not covered.

Deferred Payment Contract: A contract where grain has been delivered with an agreed upon price, but payment is to be made on an agreed upon later date or time period. The grain dealer's bond will cover the contract for twelve months from the date of the contract.

Storage: Grain deposited and held until sold or removed by the depositor. The stored grain is covered by warehouse bond.

Grain Bank: Grain deposited for storage to be withdrawn at a later date by the depositor. The stored grain is covered by warehouse bond.

Warehouse Receipt: A negotiable receipt which is issued to the grain depositor. Warehouse receipts may be used as collateral to obtain financing or FSA loans. The stored grain is covered by warehouse security.

Warehouse Schedule of Charges Document (Tariff): A document displayed in a public area that lists charges associated with storing and removal of storage grain. This document requires approval by the Missouri Department of Agriculture.

Grain Dealer Bond: A bond or other financial instrument held by the Missouri Department of Agriculture to be used for dealer claims in case of insolvency of the licensed entity.

Grain Warehouse Bond: A bond or other financial instrument held by the Missouri Department of Agriculture to be used for warehouse claims in case of insolvency of the licensed entity.



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GRAIN REGULATORY SERVICES

Protecting Grain Producers
in Missouri





GRAIN REGULATORY SERVICES

The Missouri Department of Agriculture's Grain Regulatory Services Program licenses and regulates grain warehouses and grain dealers in Missouri, offering a means of protection to Missouri's grain producers in case of warehouse or grain dealer insolvency. Any person or business purchasing grain from producers must have a valid grain dealer license. Any grain elevator in Missouri that stores grain for others must have a valid state or federal grain warehouse license.

Auditors with the Department conduct random, unannounced audits to verify grain inventory and ensure licensees are fiscally sound and in compliance with the laws.

Missouri law requires that licensees meet specific financial measures and post bonds or other securities to help protect producers selling or storing grain with licensed dealers or warehouses.

If a grain dealer or warehouse becomes insolvent, grain inventory and other assets, along with the posted bond, can be used to settle storage claims or outstanding grain payables.

COMMERCIAL FACILITY OPTIONS

Depending on the dealer class, grain elevators may offer the following options:

Storage Only: Grain delivered to a licensed warehouse by a producer to be held until sold or removed by the producer. The title of storage grain remains with the producer and is covered by warehouse bond held by the Missouri Department of Agriculture. Charges for storage and removal of grain from the facility will be displayed in public view on the warehouse's schedule of charges, also known as a tariff.

Cash Sale: When grain is sold to a grain dealer, title transfers to the dealer at the time of delivery. Payment must be made in a timely manner. Cash sales are covered by dealer bond by the Missouri Department of Agriculture.

Delayed Price: A transaction where a producer delivers grain but chooses a later date for pricing and payment. Basis, hedge-to-arrive or futures only contracts are forms of a delayed price contract because only a portion of the final price has been established. The title of the grain transfers to the buyer at the time of delivery of grain on a valid delayed price contract. There may be a charge for entering into the contract agreement. This is not a storage charge, but a contract fee. The delayed price contract is not covered by any bond held by the Missouri Department of Agriculture.

TIPS TO REMEMBER

Any grain elevator in Missouri that stores grain must have a valid state or federal grain warehouse license posted at the business. All grain delivered that has not had the purchase price established is considered storage grain unless a valid delayed price or minimum price contract is completed. Most persons, businesses or entities that purchase grain from producers must have a valid grain dealer license issued by Missouri Grain Regulatory Services.

Grain dealer class is established by Missouri Grain Regulatory Services based upon the type of services offered. Each license states the grain dealer class and expiration date.

Class 1

Class I grain dealers may be licensed as warehouses and are the only class of dealers authorized to use or offer deferred payment, delayed price, or minimum price contracts. Class I grain dealers must meet higher net worth requirements than other dealer classifications.

Class 2

Class II grain dealers are licensed as warehouses, but are not authorized to use or offer deferred payment, delayed price or minimum price contracts. Class II may offer storage, but all purchased grain must be paid for within 180 days of pricing.

Classes 3-6

Class III, IV and VI grain dealers are not licensed to store grain for others. These classes are not authorized to use or offer deferred payment, delayed price, or minimum price contracts. All grain received must be paid for within 30 days.

See back for a glossary of grain terms.

Protecting Yourself *Protect your future.*

The bonds and other securities required by law may not cover all losses in the event of insolvency, so you must protect yourself.

- Deal only with licensed businesses and check each step in all grain transactions. To verify if a grain buyer or warehouse is properly licensed, **visit agriculture.mo.gov/grains or call (573) 751-4112.**
- Scale tickets are a depositor's proof that a commodity has been delivered. Scale tickets should be filled out completely at the time of delivery, including weight, grade or discount factors, and type of marketing transaction.
- Written agreements must be executed between the seller and grain dealer to cover marketing transactions other than cash sales. These transactions include deferred payment, minimum price and delayed price contracts.
- Grain sellers should request and expect timely payments.
- Producers may request, prior to unloading grain, that a sample of the grain delivered be submitted to the Grain Inspection Services Program for an official grade. **For more information, call (573) 751-5515.**

