NATIONAL GRAIN AND FEED ASSOCIATION

Arbitration Decisions

November 6, 1986

ARBITRATION CASE NUMBER 1624, Parts I, II and III

Plaintiff: Arabi Grain and Elevator Co., Arabi, Ga.
Defendant: Harvey's Peanut Co. Inc., Leary, Ga.

Cross-Plaintiff: Harvey's Peanut Co. Inc., Leary, Ga.
Cross-Defendant: Fred Webb Inc., Greenville, N.C.

Cross-Plaintiff: Fred Webb Inc., Greenville, N.C.
Cross-Defendant: A.E. Staley Manufacturing Co. Inc., Loudon, Tenn.

Statement of Case

On Sept. 4, 1984 the plaintiff, Arabi Grain and Elevator Co. shipped one four-car unit train of corn from Arabi, Ga., to A.E. Staley Manufacturing Co. Inc. at Loudon, Tenn. This corn originally had been sold by Harvey's Peanut Co. Inc. to Fred Webb Inc., which then sold it to A.E. Staley. To satisfy shipment, Harvey's Peanut Co. Inc. bought-in grain from Arabi Grain and Elevator Co.

The cars arrived in Loudon, Tenn., on Sept. 9, 1984. Car SOU 96027 was rejected by A.E. Staley based upon laboratory analysis performed by Romer Labs Inc. located in Washington, Mo. The results indicated the presence of 90 parts per billion of aflatoxin versus 20 p.p.b. maximum as mutually agreed to by the parties in the contract.

The test results were known by A.E. Staley on Sept. 13, 1984. However, the test results or rejection were never communicated to the plaintiff, either verbally or in writing, until after Arabi Grain and Elevator Co. initiated an inquiry regarding payment on Sept. 27, 1984.

Therefore, the plantiff claimed Grain Trade Rule 16A of the National Grain and Feed Association was violated and requested damages for demurrage, freight, unloading and market difference totaling $4,049.06.

The Decision

Grain Trade Rule 16A states that when grain is sold, with condition guaranteed upon arrival at destination, it is the buyer's duty to determine by inspection, or otherwise, the grain condition and report any problems to the shipper by noon of the first business day following arrival. Although the contract entered into by Fred Webb Inc., and A.E. Staley called for origin state aflatoxin certificates, A.E. Staley sent samples to Romer Labs Inc. for analysis. Fred Webb Inc. agreed that A.E. Staley was entitled to adequate time to obtain proper test results. However, the limits of Grain Trade Rule 16A and the "adequate time" for analysis agreed to by Fred Webb Inc. were exceeded since car SOU 96027 arrived at destination on Sept. 9, 1984 and rejection was not learned of until Sept. 27, 1984 (and then only upon inquiry initiated by the shipper).

The issue raised by A.E. Staley regarding the sale and shipment of corn in violation of Food and Drug Administration action levels did not relieve A.E. Staley of its obligation of timely notification. The arbitration panel assumed that origin state aflatoxin certificates (specified in both parties' contracts) rendered the corn satisfactory for shipment and that this corn was not knowingly shipped outside contractual or legal limits.

Therefore, this arbitration panel found in favor of the plaintiff in the amount of $4,049.06. A.E. Staley Manufacturing Co. Inc. is to pay this amount to the original plaintiff, Arabi Grain and Elevator Co. in settlement of the dispute.

Submitted with the consent and approval of the arbitration panel, whose names appear below:

A. J. DiDominicis, Chairman
CPC International Inc.
Chicago, Ill.

Thomas R. Gilliam
Keystone Farm Services Inc.
Roxboro, N.C.

Patrick M. Harmon
Cargill Inc.
Chattanooga, Tenn.