National Grain and Feed Association

Arbitration Decision

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April 4, 2013

Arbitration Case Number 2570

Plaintiff: **U.S. Commodities LLC, Minneapolis, Minn.**

Defendant: **Stoflet Farms, Kasson, Minn.**

Statement of the Case

This case involved a dispute between U.S. Commodities, LLC (USC) and Stoflet Farms (Stoflet) arising from a contract for 50,000 bushels of U.S. No. 2 yellow corn.

USC and Stoflet began a business relationship on April 8, 2009, when a representative of USC met with the principle of Stoflet and they signed a "Grain Marketing Program Agreement." The parties then entered into purchase contract no. 63111 for the delivery of 50,000 bushels of corn between Oct. 1 and 31, 2010. Contract no. 63111 was signed by USC and Stoflet on April 13 and April 16, 2009, respectively. There did not appear to be a dispute between the parties concerning these basic facts.

The dispute between USC and Stoflet involved communications between the parties that allegedly occurred between July 28 and Sept. 14, 2010. The parties disputed the nature and content of these communications, including what was communicated, who was involved, and, in some instances, whether certain communications occurred in-person, by telephone or at all.

Stoflet argued that contract no. 63111 was canceled as a result of the initial July 28 telephone conversation between the parties. USC argued that based upon various subsequent communications between the parties that continued through Sept. 14, it acted properly in not canceling the contract until Sept. 16. USC further argued that the terms of the contract required that Stoflet provide notice of cancellation of the contract to USC in writing.

USC alleged damages of $55,770, which represented USC's claims of $48,270 (for the market difference of 0.9654-cents per bushel for the undelivered 50,000 bushels), plus $7,500 (for the fee of 0.15-cents per bushel established in the contract).

The Decision

The arbitrators determined that based upon the terms of the contract executed by both parties and the circumstances of this case, which included the uncertainty behind the disputed communications between the parties, Stoflet was responsible for demonstrating that the contract was canceled prior to the final communication between the parties on Sept. 14, 2010. The arbitrators concluded there was no written confirmation that the contract had been canceled previously.

However, with respect to damages, the arbitrators determined that USC did not provide sufficient support for its claim of $48,270 in cancellation costs. Instead, the arbitrators relied upon their own calculations of the difference between the CBOT December 2010 corn futures prices for the contract date ($4.4375 per bushel) and the cancellation date ($4.9525 per bushel). Therefore, the difference due to USC for cancellation costs was 0.515-cents per bushel for a total of $25,750.

The Award

Therefore, the arbitrators awarded USC $33,250 ($25,750 in cancellation costs and $7,500 in contract fees), plus interest from the date of this decision at a rate of 3.25 percent per annum, pursuant to NGFA Arbitration Rule 8(m). The arbitrators declined to award reimbursement for arbitration expenses to either party.

Submitted with the unanimous consent of the arbitrators, whose names appear below:

Doug Johns, *Chair*
Vice President
Archer Daniels Midland
Evansville, Ind.

Keith Bailey
Chief Executive Officer
AgVentures NW LLC
Odessa, Wash.

Jean Bratton
Chief Operations Officer
Town and Country Co-op
Ashland, Ohio