NATIONAL GRAIN AND FEED ASSOCIATION

Arbitration Decisions

August 24, 1976

ARBITRATION CASE NUMBER 1524

PLAINTIFF: Morgan-Carolina Corporation, Farmville, North Carolina

DEFENDANT: The Pillsbury Company, Augusta, Georgia

The case involved a dispute between Morgan-Carolina Corporation (the Seller) and the Pillsbury Company, (the Buyer) concerning the method used to price overfills on a contract stating the quantity as "5 multi-car units - about 50,000 bushels "of Number 2 yellow corn."

The majority opinion held that rather than 5 multi-units being traded, it was the intent to buy and sell about 50,000 bushels of corn to be shipped in compliance with Southern Grain Incentive Tariffs (270 tons minimum). It was also 50,000 bushels that each would have placed into their respective hedging positions when the trade was made. The principal question then became, "when was the contract overfilled?" Grain Trade Rule 24 (b) specifies tolerances allowed in car sizes that can be allowed on contract. The Committee believed it was the shippers option to move within those tolerances until the last multi-unit was shipped and that it would not be known until that time to what extent the contract may or may not have been overfilled. At that time Grain Trade Rule 12 specified how overfills should be handled, assuming that a "multi" is a unit of transportation as is a Single Hopper. Pillsbury received settlement from their Buyer, the feed mill, on the final "multi" based on the date of unload which was February 3, 1975. The majority opinion believed that the total overfill should be priced on the date that the last shipment was unloaded in accordance with the terms of Rule Number 12. The March option closed at 307 3/4 on that day minus 2 which equaled 305 3/4 (Morgan-Carolina's basis on February 3, 1975).

Therefore, Morgan-Carolina should be awarded $641.28 calculated as follows:

> On the first shipment Pillsbury paid 353 1/2 minus 1 1/2 equals 3.52 on the surplus of 303.57 bushels. They should have paid 305 3/4 less 1 1/2¢ bushel or 304 1/4 for this overage, the amount due Pillsbury would be 47 3/4¢ per bushel or $144.95.

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On the last shipment Pillsbury paid 288 1/2 on 4,557.85 bushels and on this shipment the price should have been 305 3/4 or a difference of 17 1/4¢ per bushel which would be $786.23 due Morgan Carolina. The difference between these two amounts is $641.28.

Arbitration Committee of the
National Grain and Feed Association

/S/ Harold M. Bergersen, Chairman
Goodpasture, Inc.
Galena Park, Texas
/S/ Donald Brouillette
Demeter, Inc.
Fowler, Indiana
/S/ Paul Trower
Evans Grain Company
Salina, Kansas

DECISION OF THE ARBITRATION APPEALS COMMITTEE
FOR ARBITRATION CASE NUMBER 1524
August 3, 1976

The Defendant appealed the case to the Arbitration Appeals Committee.

The Arbitration Appeals Committee by a 4 to 1 decision affirmed the findings of the Arbitration Committee.

/S/ Robert Parrott, Chairman
Central Soya Company, Inc.
Fort Wayne, Indiana
/S/ Madison Clement
Clement Grain Company
Waco, Texas
/S/ Bruce Cottier
Bartlett & Company
Kansas City, Missouri
/S/ Charles Holmquist
Holmquist Elevator Company
Omaha, Nebraska
/S/ H. V. Nootbaar
H. V. Nootbaar & Company
Capistrano Beach, California

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