



# National Grain and Feed Association Arbitration Decision

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1250 I (Eye) Street, N.W., Suite 1003  
Washington, DC 20005-3922

P: (202) 289-0873  
F: (202) 289-5388

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## CASE NUMBER 2464

Plaintiff: Cargill Inc., Minneapolis, Minn.

Defendant: Mark Wallace, Farmer City, Ill.

### STATEMENT OF THE CASE

This dispute involved a contract, dated March 23, 2006, between the seller, Mark Wallace (Wallace), and the buyer, Cargill Inc. (Cargill), for the sale and delivery of 20,000 bushels of U.S. No. 2 yellow corn in December 2006. Cargill claimed the contract also contained a “conditional firm commitment” for another 20,000 bushels of corn for shipment in December 2008. Both Wallace and Cargill signed the purchase confirmation contract on May 24, 2006. The contract provides that the NGFA Trade Rules apply and that any disputes arising under the contract be resolved by NGFA Arbitration.

The dispute between the parties centered on whether the contract required delivery of the additional 20,000 bushels of corn in 2008. According to Cargill, the terms of the contract provided that, if on April 5, 2006, the Chicago Board of Trade futures price for December 2008 corn was below \$3.00-per bushel, then the “conditional commitment” was cancelled. Cargill argued that because this condition did not occur, Wallace was obligated to deliver the additional 20,000 bushels of corn in December 2008. After Wallace denied any obligation to deliver those additional bushels, Cargill cancelled the contract on July 18, 2008. Cargill claimed damages in the amount of \$67,700 for the difference between the contract price and the market price as of the date of cancellation. Cargill submitted documentation including the purchase contract with the “Floor Plus Contract” provisions and the “Floor Plus Addendum,” which Cargill argued supported its claims regarding Wallace’s obligation to deliver corn in 2008.

Wallace argued that the contract was solely meant to memorialize a verbal agreement between the parties to sell the 20,000 bushels of corn in 2006. Wallace claimed that he fulfilled the terms of the contract when he completed that delivery in December 2006. According to Wallace, he first received notice in July 2008 of Cargill’s position that he owed additional corn. Wallace stated he denied the obligation by telephone immediately and then again after meeting with a Cargill representative on July 16, 2012. Wallace claimed that during the in-person meeting the parties discussed several errors and ambiguities in the contract and that Cargill’s representative admitted there were errors in the contract. In his arguments, Wallace detailed various instances in which he claimed the contract was inconsistent and incomplete, particularly with respect to potential obligations beyond the December 2006 shipment. According to Wallace, the quantity and shipment provisions were vague and misleading. For example, Wallace noted that the “Floor Plus Addendum” repeatedly referred to shipment and delivery periods in 2006 – not 2008.

### THE DECISION

The arbitrators agreed with Wallace that the contract was ambiguous. The arbitrators, themselves, struggled to understand the terms of the contract. The arbitrators concluded that the contract was so poorly written that it came as no surprise that Cargill’s own employees would consider it difficult to comprehend as claimed by Wallace. The arbitrators proposed that had Cargill intended to contract for delivery periods for both December 2006 and December 2008 then using two separate contracts would have been more clear.

The arbitrators concluded that Wallace fulfilled his contractual obligations to Cargill with delivery of the 20,000 bushels in December 2006. The contract terms did not support Cargill's claims related to additional obligations in 2008.

## THE AWARD

The arbitrators ruled in favor of Wallace and declined to award any damages to Cargill.

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

**Shelley Wybo**, *Chair*  
Manager, Commodity Purchasing  
Ingredion Canada Incorporated  
London, Ontario

**David Leiting**  
General Manager  
Farmers Cooperative Elevator  
Arcadia, IA

**Mitchell Payne**  
Manager  
Columbia County Grain Growers  
Dayton, WA