

Arbitration Case Number 1518

Plaintiff: Louis Dreyfus Corporation, New York, New York
Defendant: The Pillsbury Company, St. Louis, Missouri

April 30, 1975

Statement of the Case

The dispute involved the Louis Dreyfus Corporation wanting to give up to The Pillsbury Company the following Chicago Board of Trade futures in order to fix the prices on various cash grain contracts:

--650,000 bushels November soybeans at \$9.29
--1,100,000 bushels December corn at \$3.83 3/4
--900,000 bushels March corn at \$3.92 1/2.

The decision reached in Arbitration Case Number 1518 may run contrary to rules of the Chicago Board of Trade and/or the Commodity Exchange Authority of the U.S. Department of Agriculture. The decision is not intended to supersede such rules or to affect them in any way. It also is not intended to set a precedent in like matters on any other exchange.

It is the belief of the arbitration committee that such matters belong properly before the arbitration committees of the licensed commodity exchange on which the transactions took place. Since both parties requested that the matter be heard before the National Grain and Feed Association, the arbitration committee complied with their wishes.

Both parties relied upon Rule 12 of the Barge Trade Rules of the National Grain and Feed Association, and Rule 30 of the Grain Trade Rules of the National Association.

The Decision

It is the opinion of the arbitration committee that both the Plaintiff and the Defendant were in error in relying upon the above-issued rules in Arbitration Case Number 1518.

These rules deal with unpriced contracts and the fulfillment of the contracts is accomplished by an actual trade in the pit on the floor of the Chicago Board of Trade wherein one party makes the transaction for the account of the other.

In the case in question, the details of the transactions and orders, submitted as Exhibits B, C, and D, clearly indicated that these were ex-pit versus cash transactions. These transactions may be performed at any time of the day whether the market is open or not, and may be executed at any price mutually agreed upon whether in the day's range or not. The only qualifying factor is that they be submitted for clearing on the same day and marked as ex-pit versus cash transactions. These transactions are also reported to the CEA with the same designation.

It is the opinion of the arbitration committee that both parties agreed at the time the contract was made that they would mutually agree upon a price before the exchange for futures was completed. However, it is also the opinion of the arbitration committee that, if the price submitted is at or near the closing price of the day's trading, that this is a reasonable request and the other party should be bound to accept it. If the price tendered were substantially away from the current market, then the receiver of the futures would have a right to question the price and refuse the trade.

In this case, the Defendant, The Pillsbury Company, should have accepted not only the November soybeans and December corn, but also the March corn. Furthermore, the situation which Pillsbury describes existed also on October 8, 1974, the day on which it accepted the trades (November beans were \$9.09 offered for the entire day, December corn was \$3.73 3/4 offered for the entire day and March corn was \$3.82 1/2 offered for the entire day). So, if Pillsbury's arguments are correct, it should not have accepted the trades on October 8 either.

For the above reasons, we find for the Plaintiff, Louis Dreyfus Corporation, and award it \$90.40 as claimed.

Submitted with the consent and approval of the arbitration committee, whose names are listed below:

Thomas A. Geldermann, Chairman
Geldermann & Company Inc., Chicago, Illinois

Elmer Jacobs
Continental Grain Company, Chicago, Illinois

Rupert G. Quinn
Benson-Quinn Company, Minneapolis, Minnesota