



National Grain and Feed Association

Arbitration Decision

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April 4, 2013

Arbitration Case Number 2556

Plaintiff/Counter-Defendant: **Citizens LLC, Vermontville, Mich.**

Defendant/Counter-Plaintiff: **Ralph R. Snow Revocable Trust, Lansing, Mich.**

Statement of the Case

This arbitration case involved various claims between Citizens LLC (Citizens) and the Ralph R. Snow Revocable Trust (Snow Trust) that arose out of multiple agreements between the parties for the exchange of crop inputs and food-grade soybeans during the 2009 crop year.

The parties signed three agreements: 1) A master trading agreement with general terms and conditions for sales by Snow Trust to Citizens of agricultural commodities as well as sales of products and services by Citizens to Snow Trust related to Snow Trust's farming business; 2) a crop financing agreement related to the financing of Snow Trust's crop inputs by Citizens for the 2009 growing season; and 3) a purchase-and-sale contract for the delivery of the production from 1,400 acres of identity-preserved soybeans by Snow Trust to Citizens.

Pursuant to the agreements between the parties, Citizens said it extended credit to Snow Trust for the purchase of crop inputs for the 2009 growing season. Citizens then applied a portion

of the proceeds from the sale of the crops to Snow Trust's account that, with other credits, resulted in an unpaid balance due to Citizens of \$30,958.02, according to Citizens.

Snow Trust alleged that Citizens provided a defective herbicide, which significantly damaged Snow Trust's crop. According to Snow Trust, Citizens also allegedly mishandled the proceeds from Snow Trust's damaged crop, which resulted in a lawsuit against both Citizens and Snow Trust by a bank with a secured interest in those proceeds. Snow Trust claimed damages for breach of contract, negligence, product liability and conversion against Citizens in the amount of \$2,926,832.43.

Citizens denied Snow Trust's claims that the crop proceeds were mishandled. Citizens also contested Snow Trust's claims that the herbicide was defective. Further, Citizens denied that the alleged damage to Snow Trust's crop occurred as the result of application of this product or that Citizens was liable for any defect or damage that did occur.

The Decision

Regarding the underlying claim by Citizens for the balance for the crop inputs, the arbitrators concluded that the balance was due from Snow Trust based upon the plain terms of the agreements between the parties. These agreements were signed by both parties and uncontested by either Citizens or Snow Trust. Snow Trust did not present evidence that the amount of the balance for the inputs had been paid or that the amount claimed was inaccurate. The arbitrators consequently concluded that Citizens was due the unpaid balance of \$30,958.02.

Concerning the claims by Snow Trust related to Citizens' handling of the proceeds from Snow Trust's crop, the arbitrators determined that based upon the evidence provided in this case, including affidavits from multiple persons and documentation from the bank with the secured interest, Citizens was sufficiently aware that its interest on Snow Trust's crop was subordinate to that of the bank. The arbitrators consequently concluded that Snow Trust was entitled to compensation for legal fees and costs it incurred in the lawsuit initiated by the bank for the unpaid balance on the loan it extended to Snow

Trust. Without sufficient information to support Snow Trust's claim for \$30,000 in legal costs and attorney fees associated with that court action, the arbitrators decided to award \$10,000 to Snow Trust as reasonable legal fees and expenses incurred in that action.

With respect to claims by Snow Trust that Citizens was liable for the allegedly defective herbicide that Snow Trust stated caused significant harm to its crop, the arbitrators closely examined the extensive arguments provided by the parties. The arbitrators concluded that Snow Trust did not provide sufficient information to establish that: 1) it suffered a reduced crop yield; 2) any such reduced yield was attributable to the inputs purchased through Citizens; or 3) Citizens would be responsible for any alleged damages attributable to those inputs. The arbitrators noted that under the terms of the agreements between the parties, Snow Trust specifically was responsible for the selection and application of the herbicides purchased. Paragraph 20 of the master trading agreement [(Agricultural Chemicals (Herbicides/Pesticides))] specifically provided:

"Company [Citizens] works as a dealer only with respect to agricultural chemicals and is not the manufacturer. Company, as a dealer, makes NO GUARANTY whatsoever with respect to weed or pesticide control from agricultural chemicals."

Concluding that Snow Trust was responsible – as the operator – for the preparation and application of the herbicides used, the arbitrators noted that no records were provided showing how the product was used. The arbitrators also determined that Snow Trust did not account adequately for the typical issues related to weather and planting dates for the 2009 crop year that could be associated with the yield losses it claimed. Other arguments by Snow Trust relying upon its 2010 and 2011 corn crop years were further determined by the arbitrators to be inapplicable to this case.

In summary, following thorough review of the arguments and documentation presented by the parties on this claim by Snow Trust for more than \$2.9 million, the arbitrators concluded that Snow Trust failed to meet its burden to substantiate those claims.

The Award

Therefore, the arbitrators awarded Citizens \$20,958.02 (\$30,958.02 for the unpaid receivable for inputs for the crop year 2009 less \$10,000 for Snow Trust's expenses in the court action), 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