National Grain and Feed Association

Arbitration Decision

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January 23, 2003

Arbitration Case Number 2015

Plaintiff: **Ag Processing Inc., Omaha, Neb.**

Defendant: **CSX Transportation Inc., Jacksonville, Fla.**

Statement of the Case

This case involved a dispute over the term of a rate provided by CSX Transportation Inc. (CSXT) to Ag Processing Inc. (AGP) for the transportation of soybean oil from Chicago, Ill., to Easton, Maine, via CSXT and its connections for calendar year 2002.

In Feb. 2001, CSXT verbally provided the rate to AGP, which accepted and acted upon that rate in the sale of oil to a customer. On the next day, CSXT provided a written quotation confirming the rate, with no reference to the term of the rate. Subsequently, CSXT provided a written contract to AGP honoring the rate commitment only through May 31, 2002. CSXT refused to provide AGP with the agreed-upon rate for the remainder of 2002.

CSXT contended the rate quote was applicable through May 31, 2002. However, AGP argued the rate quote was applicable through Dec. 31, 2002. AGP sought as damages the lesser of two amounts: 1) the difference between its actual costs of supplying oil to its Easton, Maine, customer for 2002 and the CSXT reduced rate; or 2) the difference between the rate quoted by CSXT in February 2001 and the rate which CSXT sought to assess commencing June 1, 2002 for the balance of 2002.

The only written documentation presented to the arbitrators was an e-mail from AGP to CSXT dated Jan. 24, 2001, in which AGP requested a rate for a merchandiser “bidding on 2002 oil” to a specific destination, and a faxed quotation that showed only the commodity, origin, destination, equipment, rate and payment terms. The remainder of the communication between the parties was verbal. Both parties referred to an understanding that the rate would be applicable for one full year. CSXT maintained that because other contracts with AGP held a May 31, 2001 expiration date, AGP should have assumed this contract period would apply to the rate quote at issue in this case. AGP countered that it specified that the business was for calendar year 2002 in its discussions with CSXT, and that the extension of this business until Dec. 31, 2002 was confirmed in numerous phone conversations occurring after the trade.

The Decision

The central issue involved in this dispute was whether the CSXT rate quote was applicable through May 31, 2002 or Dec. 31, 2002.

The arbitrators determined that both AGP and CSXT should have employed better administrative and written procedures to avoid this dispute. However, the arbitrators determined that it was incumbent upon CSXT to specify the term of the rate, particularly because: CSXT stated it aggressively pursued this as developmental business; CSXT was aware that no traffic would move until 2002; and the rate was intended to be applicable for one full year. Therefore, the arbitrators decided in favor of AGP.

The Award

The arbitrators awarded damages to be paid to AGP equal to the figure resulting from the lesser of the following two calculations: 1) the difference between AGP’s actual costs of supplying oil to its Easton customer for 2002 (through alternative routes or buying-in oil) and the CSXT-reduced rate; or 2) the difference between the rate quoted by CSXT in February 2001 and the rate which CSXT sought to assess commencing June 1, 2002 for the balance of 2002.

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

Sharon Clark, *Chair*
Vice President, Commodities and Traffic
Perdue Farms Inc.
Salisbury, Md.

Stevan Bobb
Group Vice President, Agricultural Products
Burlington Northern Santa Fe Co.
Fort Worth, Texas

Brent Dornian
General Manager, Grain
Canadian Pacific Railway
Winnepeg, Canada