

An experienced rancher contracted to harvest his neighbor's wheat crop for \$1,000 "when the crop [was] ripe." In early September, the neighbor told the rancher that the crop was ripe. The rancher delayed because he had other customers to attend to. The neighbor was concerned that the delay might cause the crop to be lost, for hailstorms were common in that part of the country in the fall. In fact, in early October, before the crop was harvested, it was destroyed by a hailstorm.

Is the rancher liable for the loss?

- A. No, because no time for performance was established in the contract.
- B. No, because the neighbor failed to tell the rancher that the crop might be destroyed by a hailstorm.
- C. Yes, because a party who undertakes a contractual obligation is liable for all the consequences that flow from his breach.
- D. Yes, because at the time the contract was made, the rancher had reason to foresee the loss as a probable result of his breach.

Explanation:

Consequential damages

Damages for losses stemming from nonbreaching party's special circumstances if breaching party:

knew of those special circumstances

OR

could have reasonably foreseen harm caused by breach

The purpose of **compensatory damages** is to put the nonbreaching party in the same position as if the contract had been performed as agreed. Compensatory damages include:

expectation damages – the lost value of the breaching party's performance *and*
consequential damages – losses that arise from the nonbreaching party's **special circumstances** that were **reasonably foreseeable** to the breaching party when the contract was made.

Here, the rancher delayed harvesting the neighbor's wheat crop because he had other customers to serve. As a result of the delay, the crop was destroyed by a hailstorm before it could be harvested (special circumstances). This loss was foreseeable when the rancher–neighbor contract was made, given the rancher's experience and the frequency of hailstorms in the fall. Therefore, the rancher is liable for the loss of the crop.

(Choice A) The language in the contract stating that the rancher was to harvest the crop "when the crop was ripe" was sufficient to establish the time of the rancher's performance.

(Choice B) Although the neighbor failed to tell the rancher that the crop might be destroyed by a hailstorm, the rancher's experience and the frequency of hailstorms combined to make the loss foreseeable.

(Choice C) A party who undertakes a contractual obligation is liable only for the *foreseeable* consequences that flow from his/her breach.

Educational objective:

Consequential damages (ie, losses arising from the nonbreaching party's special circumstances) are recoverable only if they were reasonably foreseeable to the breaching party when the contract was made.

References

Restatement (Second) of Contracts § 351 (Am. Law Inst. 1981) (unforeseeability and related limitations on damages).

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