

A buyer contracted with a seller to purchase 10,000 bushels of soybeans at market price. The soybeans were to be delivered in 90 days. Two days after the soybean contract was made, the buyer and the seller entered into another contract under which the buyer agreed to purchase 10,000 bushels of wheat from the seller at market price. Before the time for delivery of the soybeans, the seller notified the buyer that it would not deliver the wheat because the seller's wheat supplier had refused to extend additional credit to the seller and therefore the seller had no wheat available for the buyer.

Which of the following statements best describes the effect of the seller's repudiation of the wheat contract on the buyer's rights under the soybean contract?

- A. It gives the buyer the right to demand assurances that the seller will perform the soybean contract.
- B. It gives the buyer the right to terminate the soybean contract, because of the doctrine of dependent covenants.
- C. It gives the buyer the right to terminate the soybean contract, because the buyer does not have to deal with a party that breaches a contract.
- D. It has no effect on the buyer's rights, because the two contracts are entirely separate.

Explanation:

Contracts for the sale of goods (eg, soybeans) are governed by Article 2 of the Uniform Commercial Code (UCC). Under the UCC, if one party has **reasonable grounds for insecurity** about the other's performance, the insecure party has the **right to make a written demand for assurances** that the other party will perform the contract.

Here, the seller notified the buyer that it was repudiating the wheat contract because it was unable to get additional credit from its wheat supplier and therefore had no wheat available for the buyer. This gave the buyer reasonable grounds for insecurity about the seller's ability to obtain and deliver another promised commodity—the soybeans. Accordingly, the buyer has the right to demand assurances that the seller will perform the separate soybean contract (**Choice D**).

(Choice B) The relevant covenants in this case are *not* dependent since there is no indication that the buyer's duty to perform under the soybean contract is dependent on the seller's performance of the wheat contract.

(Choice C) There is no rule that gives a party the right to terminate a contract because the other party breached an entirely *different* contract.

Educational objective:

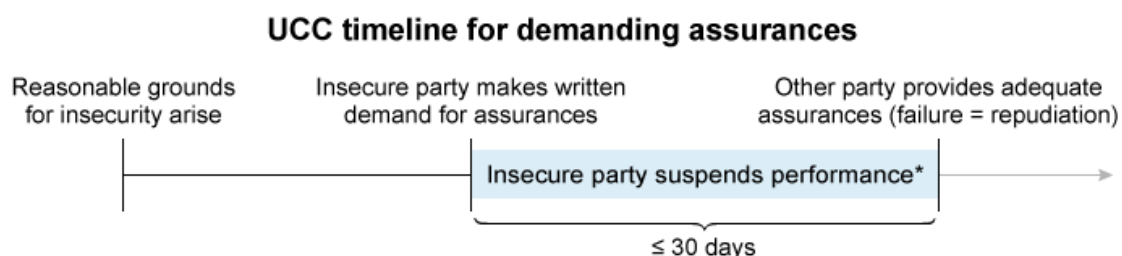
The UCC gives a party with reasonable grounds for insecurity about the other's performance the right to make a written demand for assurances that the other party will perform the contract.

References

U.C.C. § 2-609 (Am. Law Inst. & Unif. Law Comm'n 2020) (right to adequate assurance of performance).

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*Performance may be suspended only if commercially reasonable

UCC = Uniform Commercial Code

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