

## Conagra Pays \$8.3 Million in Penalties for Fraud Scheme

WASHINGTON, March 19, 1997--Agriculture Secretary Dan Glickman today announced that ConAgra, Inc., one of the nation's largest food companies, agreed to pay \$8.3 million in penalties, after agreeing to plead guilty to federal charges of adulteration, misgrading, and misweighing of grain by the company's grain division, Peavey Grain. The settlement amount included a criminal fine of approximately \$4.4 million, a reimbursement of \$450,000 to the USDA for unearned storage payments and expenses associated with the investigation, and about \$3.45 million as compensation for criminal profits.

This \$8.3 million settlement is in addition to an earlier civil settlement in excess of \$2 million which was reached between ConAgra and a group of Indiana farmers.

"This settlement culminates a four-year investigation by a task force headed by USDA's Office of Inspector General," Glickman said. "The plea agreement not only serves as punishment to the offenders, it also offers the opportunity to repay farmers who were financially damaged by these criminal acts. I want to personally thank Roger Viadero and his staff, as well as those who assisted from GIPSA and FSA, for their excellent work in this case."

In addition to the charges against ConAgra, four of its former managers agreed to plead guilty to criminal charges. Two others under contract and licensed by USDA to sample grain have also agreed to plead guilty to charges in this case.

ConAgra used several schemes to defraud farmers and grain buyers to increase their own grain inventories and profits. Soybeans were purposefully misgraded allowing ConAgra to pay less to the farmer, yet sell at higher rates; water was added to grain inventories, thereby adding to its weight and increasing profits when the grain was sold; and ConAgra significantly misweighed grain being sold to end users, thereby shipping less grain than for which they were paid. In addition, gratuities were given to USDA licensed grain samplers, who allowed elevator employees to substitute poor quality grain samples with better quality grain. This resulted in false grade certificates which were used to invoice end users. These acts constituted violations of the U.S. Grain Standards Act, the U.S. Warehouse Act, and the U.S. Food, Drug and Cosmetics Act.

The practice of adding water to grain was a central issue in the investigation. Because grain is measured by weight, this practice resulted in significant inventory growth. The addition of water also caused spoilage of grain in transit due to excess moisture. Adding water to the grain constitutes adulteration, which is in violation of the law prohibiting the addition of substances to food for the purpose of adding weight. According to testimony presented to Congress, water systems used for adding water to the grain were found at many of the company's domestic facilities and export elevators.

USDA Inspector General Roger Viadero said, "This is the first time we have used the adulteration statute when proving that water was added to grain. While the company initially claimed the water was added to suppress dust, our investigators proved the true intent was to make more money."

USDA's Grain Inspection, Packers and Stockyards Administration and Farm Service Agency joined OIG in this investigation.

"This investigation was instrumental in amending the U.S. Grain Standards Act to increase criminal penalties for violations," GIPSA Administrator James Baker said. "It was also instrumental in amending U.S. Grain Standards Act regulations on February 11, 1995, to prohibit the application of water to grain."

"Repayment to the government of storage payments paid to ConAgra by the Farm Service Agency also represents a historic move by USDA," said FSA Administrator Grant Buntrock. "Storage payments are normally only reclaimed when grain warehouses fail to keep the required quantity of grain on hand, or the inventories of the required grade of grain fall short. In this instance, although this Department lost no grain, USDA and the U.S. Attorney's office for the Southern District of Indiana agreed that ConAgra had failed to live up to the terms of their agreement with USDA, which prohibited the addition of water to grain."

"This means that grain warehouses will have to fully live up to the standards set forth in their grain storage agreements with USDA," Viadero said. "While prosecution will undoubtedly be restricted to those operations which use fraud and deceit, these precedent setting prosecutions have given us a new tool with which to protect the interests of this Department, and of the farmers of this nation. The American farmer is the key

to all agribusiness and the cornerstone of the American market, both domestic and around the world. USDA is dedicated to preserving the rights of the farmer, ensuring that everyone receives fair and equitable treatment at market."

Viadero added, "I greatly appreciate the efforts of Judith Stewart, U.S. Attorney for the Southern District of Indiana, and Assistant U.S. Attorneys Kathleen Sweeney and Steve DeBrotta, in the prosecution of this matter of such significance to USDA."

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