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OFFICE OF INSPECTOR GENERAL- INVESTIGATIONS
Western Region
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REPORT OF INVESTIGATION

FILE NUMBER: SF-2434-0118 **DATE:** APR 12 2016

TITLE: RANCHO VEAL CORPORTATION
Petaluma, CA
(Sonoma County)

CASE TYPE: Federal Meat Inspection Act

SPECIAL AGENT:

(b)(6),(b)(7)(C)

Sacramento, California

(b)(6)

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SYNOPSIS

This investigation was conducted to determine whether company personnel of the RANCHO FEEDING CORPORATION (RFC), 1522 Petaluma Boulevard North, Petaluma, CA, a Federally inspected meat processing plant, violated the Federal Meat Inspection Act of 1906 (FMIA) by averting regulatory inspections by the United States Department of Agriculture (USDA) Food Safety and Inspection Service (FSIS), and processing diseased cattle for human consumption.

The investigation revealed that RFC company personnel violated the FMIA by processing diseased cattle for human consumption. These cattle were either condemned (b)(6),(b)(7)(C) or did not receive the benefit of full FSIS inspection; and therefore considered adulterated. The initial findings of this investigation caused RFC to voluntarily recall approximately 8,742,700 pounds of meat they had processed. The investigation further disclosed that RFC company personnel defrauded certain farmers/ranchers on consigned cattle sales, by providing the farmers/ranchers fraudulent cattle sale invoices. Based on victim impact statements, the losses caused by RFC's violations of the FMIA were determined to be \$27,311,430.46. The scheme against the farmers and ranchers resulted in losses totaling \$18,245.86.

JESSE J. AMARAL (AMARAL), RFC's owner and FELIX S. CABRERA (CABRERA) RFC's foreman, each plead guilty to one count of Conspiracy to Distribute Adulterated, Misbranded, and Uninspected Meat. EUGENE D. CORDA (CORDA), RFC's yardman and ROBERT SINGLETON (SINGLETON), former owner of RANCHO VEAL CORPORATION (RVC), the company that owned the real property, equipment, and meat products at the slaughterhouse, each pled guilty to one count of Distribution of Adulterated, Misbranded, and Uninspected Meat and Aiding and Abetting.

BACKGROUND

The FMIA contains a "Congressional Statement of Findings," which recognizes that "it is essential in the public interest that the health and welfare of consumers be protected by assuring that meat and meat food products distributed to them are wholesome, not adulterated, and properly marked, labeled, and packaged." The Statement of Findings further prescribes:

Unwholesome, adulterated, or misbranded meat or meat food products impair the effective regulation of meat and meat food products in interstate or foreign commerce, are injurious to the public welfare, destroy markets for wholesome, not adulterated, and properly labeled and packaged meat and meat food products, and result in sundry losses to livestock producers and processors of meat and meat food products, as well as injury to consumers. The unwholesome, adulterated, mislabeled, or deceptively packaged articles can be sold at lower prices and compete unfairly with the wholesome, not adulterated, and properly labeled and packaged articles, to the detriment of consumers and the public generally.

The FMIA, together with the regulations promulgated thereunder, 9 C.F.R. Parts 300-592 – sets forth a detailed framework for preventing the adulteration and mislabeling of meat, governing inspections, marking, and record-keeping, among other things. FSIS is responsible for implementing the inspection provisions of the FMIA.

21 U.S.C. §§ 610(C) & 676(A)- DISTRIBUTION OF ADULTERATED,
MISBRANDED, AND UNINSPECTED MEAT
18 U.S.C. § 371- CONSPIRACY
18 U.S.C. § 1349-MAIL FRAUD CONSPIRACY
18 U.S.C. § 1341- MAIL FRAUD
18 U.S.C. § 2- AIDING AND ABETTING

The investigation of RFC was initiated based on a report from (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C) (b)(6),(b)(7)(C) (b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)
(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C) Upon notification from FSIS, the Office of Inspector General/Investigations (OIG) initiated a criminal investigation into the allegations against the owners and employees of RFC and RVC. FSIS’ Office of Investigation, Enforcement and Audit, Compliance and Investigations (OIEA) assisted OIG with the criminal investigation.

In order to corroborate (b)(6),(b)(7)(C) allegations, OIG and OIEA developed a plan to collect RFC’s offal, meaning the waste or by-product of slaughtered animals and dead stock, produced by RFC’s slaughter operations. It was determined a rendering company’s truck would leave their plant completely empty, load the offal from RFC, make no intermediate stops, and return directly to rendering plant for unloading.

On January 8, 2014, Special Agent (b)(6),(b)(7)(C) (b)(6),(b)(7)(C) USDA-OIG, and a team of FSIS OIEA Compliance Investigators, observed the rendering plant’s truck, which just returned from RFC, unload its contents onto a barren portion of the plant’s unloading floor. The load consisted of approximately 30,000 pounds of internal organs, carcasses, fetuses, and other cow parts. Once the load was spread across the unloading floor, the team began a systematic search of the animal parts. After a thorough search of the load, the team located two cow heads that appeared to have cancer eye, yet bore no indications they had undergone post mortem inspection. This was important as the heads of cancer eye cow that had been switched with healthy cow heads, without ante mortem inspection, would end up in the tallow bin, showing signs of cancer eye but containing no ear tag reflecting its “Suspect” status, and showing

no signs of post mortem inspection. The contents of the tallow bin would end up at the rendering plant.

On January 9, 2014, the two heads identified as suspicious during the rendering plant search were examined by USDA-FSIS (b)(6),(b)(7)(C) who had been a Public Health Veterinarian with FSIS for approximately (b)(6),(b)(7)(C) years. (b)(6),(b)(7)(C) advised the cow heads showed signs of cancer eye and that, if (b)(6) saw these heads on a living cow during ante mortem inspection, (b)(6) would flag them as "Suspect" and conduct a thorough post mortem inspection of the carcasses. Moreover, (b)(6) stated, if during post mortem inspection (b)(6) were not able to determine with (b)(6) naked eye whether the animals should be condemned, (b)(6) would take samples for laboratory analysis. Finally, (b)(6),(b)(7)(C) concluded that there were no signs these heads had undergone post mortem inspection.

With this key piece of evidence, along with interviews, OIG was able to obtain and execute a Federal search warrant at RFC's facilities on January 10, 2014. During the search, many of the slaughter facility employees denied any knowledge of violations of the FMIA by RFC and/or RVC personnel. The search team located and seized thousands of RFC and/or RVC business records.

These records were later analyzed by a team of FSIS OIEA investigators. The review identified at least 101 cows that had been condemned (b)(6),(b)(7)(C) and at least 79 cows with cancer eye that did not receive the benefit of full FSIS inspection and were processed for human consumption. The review of RFC and RVC records further disclosed that between January 2013 and January 2014, RFC company personnel mailed fraudulent cattle invoices with false cattle dispositions and in some cases, fraudulent fees, to certain farmers and/or ranchers for approximately 17 head of cattle (Exhibit 1).

Agent's Note: During the course of this investigation, numerous interviews were conducted of (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

Many of these individuals were interviewed (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

and/or additional questions were developed that needed to be addressed. The interviews detailed below provided information directly related to the criminal violations of the FMIA by company personnel of the RFC and RVC.

On February 19 and September 5, 2014, CORDA was interviewed regarding his employment at RFC and their (RFC's) violations of the FMIA. CORDA explained that beginning around two years to 18 months prior to the initial interview; RFC started a practice of switching eye cows for healthy cows or adding eye cows to lots of inspected cattle (Exhibit 2).

On (b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(b)(6),(b)(7)(C)

(Exhibit 3).

On March 24, April 2, and July 2, 2014, CABRERA was interviewed regarding his employment at RFC and their (RFC's) violations of the FMIA. CABRERA stated based on ARAMAL'S instructions, he (CABRERA) would order other RFC employees to trim (cut) the USDA condemnation stamps out of the meat of condemned carcasses. CABRERA later reported he was financially compensated for overseeing this task. He also detailed a scheme where RFC employees were switching out healthy cattle that had undergone an USDA ante-mortem inspection, with cancer eye cows that had not undergone ante-mortem inspection. CABRERA also provided information pertaining to the defrauding of farmers/ranchers who had consigned their cattle to RFC/RVC (Exhibit 4).

On (b)(6),(b)(7)(C)
 (b)(6),(b)(7)(C)
 (b)(6),(b)(7)(C) (Exhibit 5).

On (b)(6),(b)(7)(C)
 (b)(6),(b)(7)(C)
 (b)(6),(b)(7)(C) (Exhibit 6).

On (b)(6),(b)(7)(C)
 (b)(6),(b)(7)(C)
 (b)(6),(b)(7)(C) (Exhibit 7).

On May 28 and July 1, 2014, SINGLETON was interviewed regarding his ownership and involvement with RFC and RVC. He provided details pertaining to his, AMARAL's, and other company personnel's violations of the FMIA. These violations included the cutting of USDA condemnation stamps out of condemned carcasses and the switching of healthy cattle that had undergone an USDA ante-mortem inspection, with cancer eye cows that had not undergone ante-mortem inspection. SINGLETON also explained how RFC defrauded certain farmers/ranchers on consigned cattle sales, by providing the farmers/ranchers fraudulent cattle sale invoices (Exhibit 8).

Based on the evidence developed during this investigation, FSIS withheld their marks of inspection at RFC and suspended the assignment of FSIS inspectors at the slaughterhouse. RFC voluntarily recalled approximately 8,742,700 pounds of meat products and withdrew their grant of inspection from FSIS.

On August 14, 2014, AMARAL was indicted on one count of Conspiracy to Distribute Adulterated, Misbranded, and Uninspected Meat, one count of Conspiracy to Commit Mail Fraud, three counts of Distribution of Adulterated, Misbranded, and Uninspected Meat including Aiding and Abetting, two additional counts of Distribution of Adulterated, Misbranded, and Uninspected Meat including Aiding and Abetting, one

count of Conspiracy to Commit Mail Fraud, two additional counts of Mail Fraud, and Criminal Forfeiture (Exhibit 9). On February 18, 2015, AMARAL pleaded guilty to one count of Conspiracy to Distribute Adulterated, Misbranded, and Uninspected Meat. In pleading guilty, AMARAL admitted that from 2012 through January 10, 2014, he knowingly and with intent to defraud, directed RFC employees to process for human consumption cattle that had been condemned by the USDA veterinarian; to circumvent inspection procedures for certain cattle exhibiting symptoms of cancer eye; and to process these cancer eye cattle for human consumption without full inspection. AMARAL further admitted knowingly causing RFC to submit fraudulent cattle invoices to farmers/ranchers between at least 2012 and January 2014. As part of his plea agreement, AMARAL agreed to permanently cease and desist from operating a meat processing facility or slaughterhouse; managing, supervising, or working in any capacity, at a meat processing facility or slaughterhouse; and bidding for or participating directly or indirectly, any USDA program or programs operated by an USDA sub-agency or office. On February 10, 2016, in U.S. District Court in San Francisco, CA, AMARAL was sentenced to 12 months and one day in prison, 24 months of supervised release, 12 months of which are to be served in a re-entry center. AMARAL entered settlement agreements with nearly all of the victims, and restitution was satisfied for all victims (Exhibit 10).

On August 18, 2014, SINGLETON was charged on a Criminal Information with one count of Distribution of Adulterated, Misbranded, and Uninspected Meat including Aiding and Abetting. On August 22, 2014, SINGLETON pleaded guilty to the Criminal Information filed against him. In so doing, SINGLETON admitted knowingly participating in a scheme by which RFC employees were instructed to carve "USDA Condemned" stamps out of cattle carcasses, to conceal from USDA inspection cows showing signs of cancer eye by switching the diseased heads with healthy heads, and to process the adulterated and uninspected carcasses for human consumption. He also admitted participating in the scheme to fraudulently invoice farmers/ranchers. As part of his plea agreement, SINGLETON agreed to permanently cease and desist from operating a meat processing facility or slaughterhouse; managing, supervising, or working in any capacity, at a meat processing facility or slaughterhouse; and bidding for or participating directly or indirectly, any USDA program or programs operated by an USDA sub-agency or office. On March 2, 2016, in U.S. District Court in San Francisco, CA, SINGLETON was sentenced to three months imprisonment, followed by 12 months of supervised release, with a condition that three months are served as home detention. Singleton was also sentenced to 50 hours of community service (Exhibit 11). Restitution for SINGLETON is pending.

On August 14, 2014, CABRERA was indicted on one count of Conspiracy to Distribute Adulterated, Misbranded, and Uninspected Meat, one count of Conspiracy to Commit Mail Fraud, three counts of Distribution of Adulterated, Misbranded, and Uninspected Meat including Aiding and Abetting, two additional counts of Distribution of Adulterated, Misbranded, and Uninspected Meat including Aiding and Abetting, and Criminal Forfeiture (Exhibit 9). On November 26, 2014, CABRERA pleaded guilty to one count of Conspiracy to Distribute Adulterated, Misbranded, and Uninspected Meat. On March 18, 2016, in U.S. District Court in San Francisco, CA, CABRERA was sentenced to three months imprisonment, followed by two years' supervised release, with

a condition that three months be served as home detention. He was also ordered to pay a fine of \$1,000 (Exhibit 12).

On August 14, 2014, CORDA was indicted of one count of Conspiracy to Distribute Adulterated, Misbranded, and Uninspected Meat, one count of Conspiracy to Commit Mail Fraud, two counts of Distribution of Adulterated, Misbranded, and Uninspected Meat including Aiding and Abetting, and Criminal Forfeiture (Exhibit 9). On October 10, 2014, CORDA pleaded guilty to one count of Distribution of Adulterated, Misbranded, and Uninspected Meat including Aiding and Abetting. On March 2, 2016, in U.S. District Court in San Francisco, CA, CORDA was sentenced to thirty six months' probation, with a condition that six months be served as home detention (Exhibit 13).

This investigation revealed that (b)(6),(b)(7)(C) [redacted]
(b)(6),(b)(7)(C) [redacted] It was also determined that a
(b)(6),(b)(7)(C) [redacted]
(b)(6),(b)(7)(C) [redacted]
(b)(6),(b)(7)(C) [redacted] however, no information was
obtained indicating that (b)(6),(b)(7)(C) [redacted]
(b)(6),(b)(7)(C) [redacted] The facts and reports related to (b)(6),(b)(7)(C) [redacted]
(b)(6),(b)(7)(C) [redacted]

This case was prosecuted by the U.S. Attorney's Office, Northern District of California. Administrative action taken by the Department (b)(6),(b)(7)(C) [redacted] is pending.

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