

UNITED STATES DEPARTMENT OF AGRICULTURE

BEFORE THE SECRETARY OF AGRICULTURE

P & S Docket No. D-09-0097

In re: MEADOWBROOK FARMS COOPERATIVE,

Respondent

DEFAULT DECISION AND ORDER

Preliminary Statement

This proceeding was instituted under the Packers and Stockyards Act (7 U.S.C. § 181 et seq.) (Act), by a Complaint filed on April 16, 2009, by the Administrator, Grain Inspection, Packers and Stockyards Administration (GIPSA), United States Department of Agriculture, alleging that the Respondent willfully violated the Act.

The Complaint and a copy of the Rules of Practice Governing Formal Adjudicatory Administrative Proceedings Instituted by the Secretary Under Various Statutes (7 C.F.R. § 1.130 *et seq.*) (Rules of Practice) were served on Respondent by certified mail. Respondent was informed in a letter of service that an answer should be filed pursuant to the Rules of Practice and that failure to answer would constitute an admission of all the material allegations contained in the Complaint. On May 5, 2009, Edward J. Karfeld filed a "Limited Entry of Appearance to Suggest the Bankruptcy of Respondent," which requested that these proceedings be stayed due to Respondent's Bankruptcy. On May 12, 2009, the Administrative Law Judge ordered that "the Suggestion be considered nugatory and of no force and this action may proceed." Respondent received the Order on May 16, 2009.

Respondent failed to file an answer within the time period required by the Rules of Practice (7 C.F.R. § 1.136), and the material facts alleged in the Complaint, which are admitted

by Respondent's failure to file an answer, are adopted and set forth in this decision and order as findings of fact.

This decision and order is issued pursuant to section 1.139 of the Rules of Practice (7 C.F.R. § 1.139).

Findings of Fact

1. Respondent Meadowbrook Farms Cooperative, (Meadowbrook), is an agricultural cooperative organized and operating in the State of Illinois.

2. Meadowbrook at all times material to this Decision was:
 - a. engaged in the business of buying livestock in commerce for the purpose of slaughter; and

 - b. a packer within the meaning of and subject to the provisions of the Act.

3. On or about the dates and in the transactions set forth below, Meadowbrook purchased livestock in cash sales and failed to pay, when due, the full purchase price for the livestock:

Slaughter Date	Livestock Seller	Purchase Amount	Date Due	Date Paid
12/10/2008	Van Boekel Hog Farms, Mt. Elgin, Ontario	\$20,915.01	12/11/2008	12/15/2008
12/10/2008	Van Boekel Hog Farms	\$19,236.80	12/11/2008	12/15/2008
12/10/2008	Van Boekel Hog Farms	\$20,217.99	12/11/2008	12/15/2008
12/18/2008	Van Boekel Hog Farms	\$19,819.84	12/19/2008	12/ 22/2008
12/18/2008	Van Boekel Hog Farms	\$22,106.21	12/19/2008	12/22/2008
12/27/2008	Keystone Mill, LLC Ephrata, PA	\$20,287.06	12/29/2008	12/31/2008
12/27/2008	Keystone Mill, LLC	\$19,861.29	12/29/2008	12/31/2008

4. In addition, Meadowbrook purchased livestock and failed to pay, when due, the full purchase price of the livestock for purchases of livestock on the following credit terms:

Producer shall be paid within ten (10) days of delivery. MFC may, at its option, extend the payment to Producer in the following manner, provided that in no event shall the payment herein be longer than the payments being made by MFC to the MFC general membership:

a. MFC may extend the payment to Producer to not more than fourteen (14) days upon the posting of at least \$500,000.00 of Adequate Protection with an independent trustee.

b. MFC may extend the payment to Producer to not more than twenty-one (21) days upon the posting of at least \$750,000.00 of Adequate Protect with an independent trustee.

c. MFC may extend the payment to Producer to not more than twenty-eight (28) days upon the posting of at least \$1,000,000.00 of Adequate Protection with an independent trustee.

Meadowbrook failed to obtain “Adequate Protection” — as that term is used in the quoted contract’s sub-paragraphs “a”, “b”, and “c” above — and failed to pay, within 10 days of delivery, the full purchase price in the following transactions:

Slaughter Date	Livestock Seller	Purchase Amount	Date Due	Date of Check or Wire Transfer
11/28/2008	Robert Elliot, Sheffield, IL	\$18,845.28	12/08/2008	12/09/2008
12/13/2008	Allen Weidner Marengo, IL	\$8,778.57	12/23/2008	12/24/2008
12/13/2008	Robert Elliot	\$17,547.94	12/23/2008	12/24/2008
12/13/2008	Vonholten Farms Lyndon, IL	\$18,908.25	12/23/2008	12/24/2008
12/13/2008	Vonholton Farms	\$21,517.09	12/23/2008	12/24/2008

5. In addition, on or about the dates and in the transactions set forth in the following table, Meadowbrook purchased livestock, and failed to pay, when due, the full purchase price of

the livestock, on credit sales “within fourteen (14) days of delivery,” as required by its agreements with those producers:

Slaughter Date	Livestock Seller	Purchase Amount	Date Due	Date of Check or Wire Transfer
11/15/2008	Beeler Farms, Inc., Raymond, IL	\$19,310.30	11/29/2008	12/3/2008
11/18/2008	Beeler Farms Inc.	\$18,275.41	12/2/2008	12/3/2008
11/20/2008	Beeler Farms, Inc.	\$18,659.65	12/4/2008	12/5/2008
12/17/2008	Tony Thoele, Dieterich, IL	\$12,761.89	12/31/2008	01/2/2009

6. On or about the dates and in the transactions set forth in the following table, Meadowbrook purchased livestock, and failed to pay, when due, the full purchase price of the livestock, on credit terms that required that “MFC will pay to Member no later than twenty-eight (28) days after the Delivery Date one hundred percent (100%) of the Base Meat Value for all Market Hogs delivered...”:

Slaughter Date	Livestock Seller	Purchase Amount	Date Due	Date of Check or Wire Transfer
09/26/2008	Wayne, Garnet & Melody Schlueter, Rock City, IL	\$11,816.66	10/24/2008	10/27/2008
10/14/2008	BLT Pork, Inc. Strown, IL	\$3,016.14	11/11/2008	11/13/2008
10/14/2008	Roger Dewerff Farms, Inc., Nokomis, IL	\$4,236.83	11/11/2008	11/12/2008
10/17/2008	Phillip and Betty Sudkamp, Sigel, IL	\$7,229.22	11/14/2008	11/17/2008
10/18/2008	Daniel Miller. Janesville, WI	\$3,064.39	11/15/2008	11/18/2008

10/18/2008	Russell and Kathleen Dahl Deerfield, WI	\$2,490.96	11/15/2008	11/18/2008
10/22/2008	Larry, Lynda, and Aaron Seals, Mt. Carmel, IL	\$7,206.85	11/19/2008	11/20/2008
11/3/2008	Michael O'Neill, Philo, IL	\$1,844.16	12/01/2008	12/03/2008
11/05/2008	Dale Von Bokel, Pocahontas, IL	\$2,791.33	12/03/2008	12/05/2008
11/05/2008	Phillip and Betty Sudkamp	\$3,216.93	12/03/2008	12/05/2008
11/06/2008	Russell and Kathleen Dahl, Deerfield, WI	\$6,966.35	12/04/2008	12/8/2008
11/07/2008	Fairview Acres Emden, IL	\$10,319.27	12/05/2008	12/09/2008
11/11/2008	For-C Pork Farm, Melvin Coulter Paxton, IL	\$19,665.90	12/09/2008	12/10/2008
11/11/2008	Johnson Pork Farms Inc.. Nokomis, IL	\$12,080.27	12/09/2008	12/10/2008
11/11/2008	Roger Dewerff Farms Inc. Nokomis, IL	\$3,510.14	12/09/2008	12/10/2008
11/12/2008	Ron and Julia Ness Hinckley, IL	\$9,396.08	12/10/2008	12/12/2008
11/13/2008	Charles Becker and Jeffrey Baumann. Millstadt, IL	\$2,736.77	12/11/2008	12/12/2008
11/20/2008	Cedar Ridge Primary SPF Farm, Inc. Red Bud, IL	\$17,868.06	12/18/2008	12/22/2008
11/20/2008	Hammett Farms Dekalb, IL	\$16,839.50	12/18/2008	12/22/2008
11/21/2008	Daniel Boston	\$3,223.73	12/19/2008	12/22/2008

	Pawnee, IL			
11/21/2008	Edward and Jane Goeckner Effingham, IL	\$3,084.88	12/19/2008	12/22/2008
11/21/2008	Flood Brothers, David Flood, Dietrich, IL	\$7,687.34	12/19/2008	12/22/2008
11/21/2008	Lower Farms, Lanark, IL	\$20,309.11	12/19/2008	12/22/2008
11/24/2008	Keith and Sandy Deters, Sigel, IL	\$11,514.41	12/22/2008	12/23/2008
11/24/2008	Lehmann Brothers Farms LLC, Strawn, IL	\$14,939.32	12/22/2008	12/23/2008
11/25/2008	Andy Shull, Inc. Hidalgo, IL	\$16,929.39	12/23/2008	12/24/2008
11/25/2008	Bernhard Farms, Inc., Elwood, IL	\$16,197.88	12/23/2008	12/24/2008
11/25/2008	Hog Haven, Inc., Loda, IL	\$16,081.85	12/23/2008	12/24/2008
11/25/2008	KB AG Enterprises, Inc., Wyoming, IL	\$5,663.19	12/23/2008	12/24/2008
11/25/2008	Kellogg Farms, Yorkville, IL	\$14,803.47	12/23/2008	12/24/2008
11/25/2008	Marvin and Carlyle Mueller, Columbia, IL	\$7,625.39	12/23/2008	12/24/2008
11/25/2008	Metzger Farm, Inc., Ursa, IL	\$16,077.09	12/23/2008	12/24/2008
11/25/2008	Omer and Suzanna Jess, Arthur, IL	\$3,799.61	12/23/2008	12/24/2008
11/25/2008	Safford Farm Sycamore, IL	\$8,822.66	12/23/2008	12/24/2008

11/25/2008	Seboldt Brothers Fults, IL	\$5,462.36	12/23/2008	12/24/2008
11/25/2008	Great Lakes Pork, Allendale, MI	\$14,016.09	12/23/2008	12/24/2008
11/25/2008	Walk Stock Farms, Inc., Neoga, IL	\$19,802.48	12/23/2008	12/24/2008
11/25/2008	Walk Stock Farms, Inc.	\$19,811.95	12/23/2008	12/24/2008
11/26/2008	Brent Reed, Cambridge, IL	\$5,364.34	12/24/2008	12/29/2008
11/26/2008	David Helregel, Willow Hill, IL	\$2,805.76	12/24/2008	12/29/2008
11/26/2008	Logeman Brothers Farm, Metropolis, IL	\$14,949.15	12/24/2008	12/29/2008
11/26/2008	Ronald and Marie Flood, Toledo, IL	\$2,761.08	12/24/2008	12/29/2008
11/26/2008	Schlabach Pork Farm, Sullivan, IL	\$4,744.53	12/24/2008	12/29/2008
11/28/2008	Earnest Diener, Arthur, IL	\$3,038.37	12/26/2008	12/31/2008
11/28/2008	Johnathan Helmink, Montrose, IL	\$3,003.11	12/26/2008	12/31/2008
11/28/2008	Scott Birkey, Hopedale, IL	\$9,179.74	12/26/2008	12/31/2008
11/28/2008	Mark Gebben, Casey, IL	\$19,042.03	12/26/2008	12/31/2008
11/28/2008	Miller Pork Farm – ABF, Danvers, IL	\$15,904.85	12/26/2008	12/31/2008
11/28/2008	Ronald Helmink, Montrose, IL	\$10,728.18	12/26/2008	12/31/2008
11/28/2008	Shiloh Hill, LLC, Virginia, IL	\$16,652.74	12/26/2008	12/31/2008

11/28/2008	Shiloh Hill, LLC	\$19,072.84	12/26/2008	12/31/2008
11/28/2008	Shiloh Hill, LLC	\$13,242.79	12/26/2008	12/31/2008
11/28/2008	William Uhlman and Sons, Morton, IL	\$2,605.40	12/26/2008	12/31/2008
11/29/2008	Donald Niebrugge, Effingham, IL	\$2,126.82	12/27/2008	12/31/2008
11/29/2008	Russell and Kathleen Dahl	\$8,837.58	12/27/2008	12/31/2008
12/01/2008	Busse Farms, Inc., Farina, IL	\$3,693.55	12/29/2008	12/31/2008
12/01/2008	Dennis Holkenbrink, Louisville, IL	\$2,994.99	12/29/2008	12/31/2008
12/03/2008	Phillip and Betty Sudkamp	\$3,602.48	12/31/2008	01/02/2009
12/04/2008	Russell and Kathleen Dahl	\$7,801.56	01/01/2009	01/05/2009
12/05/2008	Flood Brothers	\$3,219.13	01/02/2009	01/05/2009
12/05/2008	KB AG Enterprises, Inc.	\$7,065.08	01/02/2009	01/05/2009
12/05/2008	Lower Farms, Inc.	\$18,934.78	01/02/2009	01/05/2009
12/05/2008	Shiloh Hill, LLC	\$20,095.93	01/02/2009	01/05/2009
12/05/2008	Shiloh Hill, LLC	\$20,751.05	01/02/2009	01/05/2009
12/05/2008	Shiloh Hill, LLC	\$20,880.52	01/02/2009	01/05/2009
12/05/2008	Shiloh Hill, LLC	\$19,962.07	01/02/2009	01/05/2009
12/05/2008	Shiloh Hill, LLC	\$20,096.81	01/02/2009	01/05/2009
12/05/2008	Wayne, Garnet & Melody Schlueter	\$19,237.38	01/02/2009	01/05/2009

7. On or about the dates and in the transactions set forth below, Meadowbrook purchased livestock, and, as of the date of the Complaint, has failed to pay the full purchase price of the livestock, in the total amount of \$839,674.71:

Livestock Seller	Slaughter Date/Purchase Date	Purchase Amount
Andy Shull, Inc.	12/11/2008	\$16,903.78
	12/13/2008	\$18,909.43
	12/16/2008	\$17,342.07
	12/17/2008	\$16,879.13
	12/26/2008	\$17,082.41
	12/27/2008	\$16,045.82
	12/30/2008	\$13,722.99
	12/31/2008	\$6,007.94
	01/03/2009	\$15,974.49
Charles Becker and Jeffery Baumann	12/11/2008	\$2,786.00
	01/08/2009	\$1,892.33
Scott Birkey	12/11/2008	\$6,789.61
For-C Pork Farm, Melvin Coulter	12/16/2008	\$16,471.43
	12/17/2008	\$16,074.40
	12/23/2008	\$16,402.33
	12/30/2008	\$6,350.49
	01/06/2009	\$17,305.12
	01/07/2009	\$16,748.62
Roger Elliot	12/27/2008	\$6,974.17
Fairview Acres	01/09/2009	\$16,330.90
Ronald and Marie Flood	12/26/2009	\$5,688.99
	01/02/2009	\$4,828.12
Flood Brothers, David Flood	01/03/2009	\$8,240.93
	01/09/2009	\$9,922.33
Grube Farms, Dennis Grube, El Paso, IL	12/17/2008	\$4,042.40
	01/08/2009	\$3,265.46

Christopher Hartke, Teutopolis, IL	12/11/2008	\$14,026.94
	12/12/2008	\$15,061.16
	12/13/2008	\$14,681.03
	12/16/2008	\$13,937.86
	12/17/2008	\$15,565.83
Hartke Swine Center, Effingham Clay, & Phillip Hartke, Teutopolis, IL	01/07/2009	\$14,611.88
	01/08/2009	\$15,062.08
Ronald Helmink, Montrose, IL	12/13/2008	\$9,082.83
	12/27/2008	\$5,152.80
David Helregel	12/12/2008	\$3,086.91
	12/18/2008	\$3,928.39
	12/22/2008	\$2,832.81
J&V Probst Pork, Inc. James Probst, Sigel, IL	01/08/2009	\$18,999.52
	1/09/2009	\$16,588.90
Johnson Pork Farms, Inc.	12/16/2008	\$11,950.06
	12/23/2008	\$15,102.66
	01/06/2009	\$9,555.28
Alan and Glen Koch Farms, Inc., Mt. Sterling, IL	12/13/2008	\$17,338.76
Leland and Jane Bahl, West Liberty, IL	12/18/2008	\$1,554.06
	12/31/2008	\$1,758.43
	01/09/2009	\$7,728.35
Allen Magnus, St. Peter, IL	12/17/2008	\$2,729.26
	01/02/2009	\$1,627.72
Ron and Julia Ness	12/15/2008	\$18,484.13
	12/20/2008	\$18,114.38
	12/26/2008	\$18,014.88

	12/27/2008	\$17,896.88
	12/31/2008	\$17,585.25
	01/02/2009	\$17,105.58
	01/03/2009	\$17,949.85
	01/05/2009	\$18,220.89
	01/06/2009	\$18,598.94
	01/07/2009	\$18,901.34
	01/08/2009	\$18,095.29
	01/12/2009	\$17,197.77
RCM Farms, Ltd./Ronald Meyers, Griggsville, IL	12/18/2008	\$15,331.13
	12/20/2008	\$14,458.20
	01/09/2009	\$15,194.89
Brent Reed	12/31/2008	\$4,076.85
Roger Dewerff Farms, Inc.	12/16/2008	\$3,536.08
	01/06/2009	\$5,685.42
Anthony Strutner, West Liberty, IL	12/12/2008	\$2,042.70
	12/18/2008	\$2,024.00
	12/31/2008	\$1,643.63
Steven Sturtevant	12/13/2008	\$18,485.23
Phillip and Betty Sudkamp	12/15/2008	\$1,820.42
	01/07/2008	\$6,450.74
Joel and Shelly Young	01/02/2009	\$1,815.03
Totals		\$839,674.71

8. For four contracts entitled "Cash Uniform Marketing Agreements," Meadowbrook entered into credit agreements with sellers of livestock without obtaining an acknowledgement that the sellers were waiving their rights under the trust provisions of section 206 of the Act. Meadowbrook agreed to pay the sellers of livestock — Lehmann Brothers Farms,

LLC, Great Lakes Pork, Inc., Johson-Pate Pork, Inc., and WSF, LLC (aka Walk Stock Farms, LLC) — according to the following payment terms:

Upon executing this Agreement and Exhibit A, Producer knowingly and voluntarily agrees to waive all rights to prompt payment established in the Act in consideration for the payments, mutual covenants and agreements provided herein and agrees to receive payments in the manner set forth and established by this Agreement and Exhibit A. . . . [Meadowbrook] shall send to Member any net payments(s) due hereunder no later than 28 days after Member's delivery to [Meadowbrook].

9. For the producers in the following table, Meadowbrook entered into credit agreements in which sellers waived prompt payment for their livestock and all rights to “constructive trust,” but the agreements did not include a clear waiver of the statutory trust provisions in section 206 of the Act. These credit agreements replaced the terms of older credit agreements that had included a waiver of the “statutory or constructive trust” established in the Act.

Seller's name	Date of seller's signature.
Phil and Betty Sudkamp	10/30/2008
RCM Farms, Ltd.	12/07/2008
BLT Pork, Inc.	12/29/2008
Thomas Deters, Sigel, IL	12/29/2008
Andy Shull, Inc.	12/29/2008
Flood Brothers	12/30/2008
Marvin and Carlyle Mueller	12/30/2008
David Helregel	12/30/2008
Kellogg Farms	12/30/2008
Logeman Bros.	12/30/2008
Schlabach Pork Farm, Willard Schlabach, Willard, IL	12/30/2008
Melvin Coulter	01/01/2009
Paul and Martha Hoene, Sigel, IL	01/01/2009
Cliff Hammett	01/01/2009
Joseph and Jeanne Hoene	01/01/2009
Janssen Farms	01/01/2009
Hartke Swine Center	01/02/2009

Allen Magnus	01/02/2009
Joel A. Young	01/02/2009
Lehland and Jane Bahl	01/02/2009
Wayne, Garnet & Melody Schlueter	01/02/2009
Ronald Helmink	01/04/2009
Jonathan Helmink	01/04/2009
Anthony Strutner	01/04/2009
Donald Niebrugge	01/05/2009
J&V Probst Pork, Inc.	01/06/2009
Dennis Holkenbrink	01/06/2009
Leland & Marianna Moffett, Winsor, IL	01/06/2009
Kelsey Farms	01/06/2009
Mark Gebben, Casey, IL	01/07/2009
Cedar Ridge Primary SPF Farm, Inc.	01/09/2009
Earnest Diener	12/31/2008
For-C Pork Farm	Signature without date

10. On December 17, 2008, and on other dates not specifically alleged in the Complaint, Meadowbrook purchased livestock on a grade and weight basis and failed to accurately maintain the identity of each seller's livestock and the carcasses derived from the livestock, and Meadowbrook failed to keep accurate account of the number of animals in each lot as they were weighed and graded.
11. Meadowbrook failed to deliver a true written account of the grade and weight of the animals slaughtered in each lot in that Meadowbrook shifted animals between lots slaughtered on December 17, 2008, and accounted to the livestock sellers based on the shifted lots.

Conclusions Of Law

1. The Secretary has jurisdiction in this matter.
2. By reason of Findings of Fact 3-7, Meadowbrook has willfully violated sections 202(a) and 409 of the Act (7 U.S.C. §§ 192(a); 228b).

3. By reason of the Findings of Fact 8 and 9, Meadowbrook has willfully violated section 202(a) the Act, section 409(b) of the Act, and section 201.200 of the regulations (7 U.S.C. §§ 192(a), 228b(b); 9 C.F.R. § 201.200).
4. By reason of Findings of Fact 10 and 11, Meadowbrook has willfully violated section 202(a) of the Act and (7 U.S.C. § 192(a)) and section 201.99(b) of the regulations (9 C.F.R. § 201.99(b)).
5. Meadowbrook failed to file an answer within the time period prescribed by section 1.136 of the Rules of Practice (7 C.F.R. § 1.136), which constitutes an admission of all the material allegations in the Complaint.

Order

Meadowbrook, its agents and employees, directly or through any corporate or other device, in connection with its activities subject to the Act, shall cease and desist from:

1. failing to pay the full amount of the purchase price for livestock within the time period required by the Act and the regulations promulgated under it;
2. entering into written agreements to purchase livestock on credit without execution by both parties of the trust waiver prescribed in section 201.200 (9 C.F.R. § 201.200) of the regulations;
3. failing to maintain the identity of each seller's livestock and the carcasses therefrom;
4. failing to transmit or deliver to the seller, or his or her duly authorized agent, a true written account of Meadowbrook's purchases showing the number, weight, and price of the carcasses of each grade (identifying the grade) and of the ungraded carcasses, an explanation of any condemnations, and any other information affecting final accounting;
5. failing to maintain sufficient records to substantiate the settlement of each grade and yield transaction.

This decision shall become final and effective without further proceedings thirty-five days (35) after service on Respondent, if it is not appealed to the Judicial Officer by a party to the proceeding within thirty (30) days, pursuant to section 1.145 of the Rules of Practice (7 C.F.R. § 1.145).

Copies of this order shall be served on the parties.

Done at Washington, D.C.
August 4, 2009



PETER M. DAVENPORT
Administrative Law Judge