



Department of Justice

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FLAV-O-RICH PLEADS GUILTY TO MILK BID RIGGING,
AGREES TO PAY \$7 MILLION IN FINES

WASHINGTON, D.C. -- The Department of Justice filed seven antitrust felony informations against Flav-O-Rich Inc. of Louisville, Kentucky, today, charging it with participating in seven separate conspiracies to rig bids on contracts to supply milk and other dairy products to public schools.

Flav-O-Rich has agreed to plead guilty to all charges and to pay fines totalling \$7 million for violating the Sherman Act.

The seven informations were filed in U.S. District courts in Atlanta, Georgia; Pikeville, Kentucky; Bowling Green, Kentucky; Jackson, Mississippi; Greensboro, North Carolina; Columbia, South Carolina; and Knoxville, Tennessee.

The Georgia information charges Flav-O-Rich with participating in a combination and conspiracy to rig the bids submitted for the award and performance of contracts to supply dairy products to public schools in various school districts in Georgia, beginning at least as early as 1985 and continuing at least through June 1988.

The Pikeville, Kentucky, information charges Flav-O-Rich with participating in a combination and conspiracy to rig the bids submitted for the award and performance of contracts to

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supply milk to county and independent public school systems in Knott, Floyd and Perry counties, beginning at least as early as 1982 and continuing at least through the 1988-1989 school year.

The Bowling Green, Kentucky, information charges Flav-O-Rich with participating in a combination and conspiracy to rig the bids submitted for the award and performance of contracts to supply milk to county and independent public school systems in south central Kentucky, beginning at least as early as the late 1970's and continuing at least through July 1989.

The Mississippi information charges Flav-O-Rich with participating in a combination and conspiracy to rig the bids submitted for the award and performance of contracts to supply dairy products to public schools in various school districts in Mississippi, beginning at least as early as 1985 and continuing at least through June 1988.

The North Carolina information charges Flav-O-Rich with participating in a combination and conspiracy to rig the bids submitted for the award and performance of contracts to supply dairy products to public schools in various school districts in North Carolina, beginning at least as early as 1982 and continuing at least through August 1989.

The South Carolina information charges Flav-O-Rich with participating in a combination and conspiracy to rig the bids submitted for the award and performance of contracts to supply

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dairy products to public schools in various school districts in South Carolina, beginning at least as early as 1983 and continuing at least through June 1988.

The Tennessee information charges Flav-O-Rich with participating in a combination and conspiracy to rig the bids submitted for the award and performance of contracts to supply milk to public school boards within the Knoxville area, beginning at least as early as 1983 and continuing at least through August 1990.

Flav-O-Rich, which sells dairy products in Alabama, Washington, D.C., Florida, Delaware, Georgia, Illinois, Indiana, Kentucky, Louisiana, Mississippi, Maryland, North Carolina, Pennsylvania, South Carolina, Tennessee, Virginia and West Virginia, is a wholly owned subsidiary of Dairymen Inc., a regional dairy cooperative headquartered in Louisville, Kentucky.

Charles A. James, Acting Assistant Attorney General in charge of the Antitrust Division, said the cases were filed pursuant to a plea agreement between the United States and Flav-O-Rich.

James said the company has agreed to plead guilty to all charges and to pay fines totalling \$7 million: \$1 million in the Georgia case; \$750,000 in the Pikeville, Kentucky case; \$1 million in the Bowling Green, Kentucky case; \$1 million in the Mississippi case; \$1.25 million in the North Carolina case;

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\$1 million in the South Carolina case; and \$1 million in the Tennessee case.

Pursuant to the plea agreement, no additional criminal charges will be brought against Flav-O-Rich for violations arising out of its past participation in any collusive conspiracy or scheme involving the sale of dairy products in the United States.

James said the charges arose in connection with grand jury investigations into collusive practices by dairy products suppliers. The grand jury investigations are being conducted in Atlanta, Georgia; Lexington, Kentucky; Louisville, Kentucky; Jackson, Mississippi; Greensboro, North Carolina; Columbia, South Carolina; and Knoxville, Tennessee.

James said the Georgia, Mississippi, South Carolina, Tennessee, and Lexington, Kentucky investigations are being conducted by the Division's Atlanta Field Office. The Louisville, Kentucky, investigation is being conducted by the Division's Cleveland, Ohio, Great Lakes Field Office, and the North Carolina investigation is being conducted by the Division's Washington, D.C., Litigation I Section. The Federal Bureau of Investigation in North Carolina is assisting in the North Carolina investigation. James said all seven investigations are continuing.

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The maximum penalty which may be imposed against a corporation convicted for a violation of the Sherman Act occurring prior to November 16, 1990 is a fine not to exceed the greatest of \$1 million, twice the gross pecuniary gain derived from the crime, or twice the gross pecuniary loss caused to the victims of the crime.

James also announced that the United States and Flav-O-Rich and Dairymen have entered into a civil settlement agreement, settling the United States' claims for civil damages and penalties against Flav-O-Rich for antitrust violations in the dairy products industry. Pursuant to that agreement, Flav-O-Rich and Dairymen will pay the United States \$750,000.

James said that when the criminal and civil settlements announced today are added to the prior partial settlements with Flav-O-Rich in connection with antitrust violations in Florida and Virginia, the total recovery by the United States from Flav-O-Rich for antitrust violations in the dairy products industry in the United States totals \$13 million.

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