



U. S. Department of Justice

George E. B. Holding

United States Attorney

Eastern District of North Carolina

NEWS RELEASE

FOR IMMEDIATE RELEASE:
FRIDAY - March 18, 2011

TWO MORE SENTENCED IN CROP INSURANCE FRAUD SCHEME

RALEIGH - United States Attorney George E.B. Holding announced that in federal court today United States District Judge James C. Dever III, sentenced two farmers for their part in a multi-million dollar crop insurance fraud scheme. **VERNON L. RHODES**, 54, of Rocky Mount, North Carolina, received one day of custody followed by five years' supervised release. **RHODES** was also ordered to pay restitution in the amount of \$85,472.20. **DONALD KEITH DAVIS**, of Sharpsburg, North Carolina, received one day custody followed by five years' supervised release. **DAVIS** also received restitution in the amount of \$209,270.55.

On June 18, 2010, Criminal Informations were filed by the United States Attorney Office charging each defendant. On July 20, 2010, each defendant pled guilty to one count of conspiring to make false statements, to making material false statement, to committing mail and wire fraud and to structure transactions, and to one count of making false statement in connection with crop insurance.

According to the Information, from August, 2005, to December, 2009, **RHODES**, also an elected member of the Edgecombe County United States Department of Agriculture - Farm Service Agency Committee,

obtained federal crop insurance policies for his tobacco crops. **RHODES**, then filed false crops insurance claims, hiding some or all of the tobacco production by selling it in nominee names or for cash to a co-conspiring tobacco warehouseman. This scheme allowed **RHODES** to be paid twice for each pound of tobacco, once through the false crop insurance claims and again through the sale of the "hidden" tobacco. In October, 2005, **RHODES** sold approximately 13,440 pounds of tobacco to the co-conspiring warehouseman. That same day, the warehouseman issued two checks for the tobacco in the amounts of \$7,500 and \$7,284, respectively. Later that month, **RHODES** cashed both checks. In November, 2005, **RHODES** filed a crop insurance claims, failing to report that the tobacco had been sold. Later in November, **RHODES** received another check for \$11,898 from the Farm Bureau for crop losses he had not suffered. For the following years until 2009, **RHODES** proceeded to use this same scheme defrauding the federal government out of over \$85,000.

In the same manner, from October, 2005, to March, 2008, **DAVIS**, the owner and operator of Davis Farms, received checks for crop losses he declared but did not suffer, defrauded the federal government out of more than \$309,000. Both **DAVIS** and **RHODES** had the co-conspiring warehouseman structure the payments in amounts less than \$40,000 to evade federal reporting requirements.

Investigation of this case was conducted by the United States Department of Agriculture, Office of the Inspector General, Risk Management Agency, Special Investigations Branch, and the Internal

Revenue Service, Criminal Investigation Division. Assistant United States Attorney Banumathi Rangarajan represented the government.

#

News releases are available on the U. S. Attorney's web page at www.usdoj.gov/usao/nce within 48 hours of release.