



Department of Justice

**United States Attorney Melinda Haag
Northern District of California**

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**FORMER PRESIDENT OF ORGANIC FERTILIZER COMPANY PLEADS GUILTY TO FRAUD IN
CONNECTION WITH SELLING SYNTHETIC FERTILIZER TO ORGANIC FARMS**

Company grossed millions based on six years of fraud

SAN FRANCISCO - Peter Townsley pleaded guilty in federal court in San Francisco on February 22, 2012, to two counts of fraud in connection with the sale of fertilizer to organic farmers, United States Attorney MELINDA HAAG announced.

In pleading guilty, Mr. Townsley admitted that while he was operating his business, California Liquid Fertilizer ("CLF"), in the Salinas Valley, he engaged in a scheme to defraud his organic farmer customers by misrepresenting the true ingredients in CLF's fertilizer, Biolizer XN. CLF marketed Biolizer XN as an organic fertilizer that was approved for use in organic agriculture. In entering his guilty pleas, Mr. Townsley admitted that from April 2000 through December 2006, he sold Biolizer XN with a label that claimed it was approved for use in organic farming when it actually contained chemical ingredients that were prohibited for use in organic farming. During that period, CLF realized over \$6.5 million in gross sales from the sale of Biolizer XN.

According to the plea agreement, Congress enacted the Organic Foods Production Act in 1990 in order to establish national standards governing the production and marketing of certain agricultural products as “organic.” The United States Department of Agriculture subsequently enacted federal regulations governing organic agricultural production under the National Organic Program (“NOP”). The NOP specifically regulated, among other things, what materials organic farmers could use in production, including what materials could be applied to the soil as fertilizer.

Farmers can determine whether a fertilizer is suitable for use in organic production by checking the ingredients on the label. Farmers can also check to see if the fertilizer itself has been approved by the Organic Materials Review Institute (“OMRI”). OMRI is a non-profit organization that provides independent review of materials to determine their suitability for use in the production, processing, and handling of products marketed as “organic.” If OMRI approves a fertilizer, the manufacturer is permitted to market its product as “OMRI Listed.”

According to the plea agreement, Mr. Townsley applied for OMRI approval of Biolizer XN in 1998 and told OMRI that the fertilizer was made of fish, fish by-products, feathermeal, and water. OMRI, thereafter, approved Biolizer XN for use in organic production. Mr. Townsley admitted that by April 2000, he had changed the ingredients in Biolizer XN to a product containing ammonium chloride, a material prohibited from use in organic agriculture. He did not notify OMRI of this change, falsely told OMRI that nothing had changed in Biolizer XN’s formulation when it was time for the annual renewal of Biolizer XN’s OMRI-approved listing, and continued to market Biolizer XN to organic farmers as an OMRI-approved product containing fish and feathermeal when he knew that neither of those facts was true.

Mr. Townsley further admitted that by June 2001, he had again changed the formulation of Biolizer XN to include a different prohibited ingredient, ammonium sulfate. Once again, he did not inform OMRI of this change, continued to certify to OMRI that the formulation had not changed from the information he originally submitted to OMRI, and continued to market and sell Biolizer XN to organic farmers as an OMRI- approved product that contained fish and feathermeal. Mr. Townsley admitted that he knew these representations to CLF’s customers were false when he made them and that by deceiving his customers, he was able to ensure continued sales of Biolizer XN to organic farmers.

Mr. Townsley, 50, a citizen of Canada, was originally indicted by a federal Grand Jury on June 1, 2010, and a Superseding Indictment was filed on July 7, 2011. In the Superseding Indictment, Mr. Townsley was charged with one count of conspiracy to commit mail fraud in violation of Title 18, United States Code, Section 1349, and seven counts of mail fraud in violation of Title 18, United States Code, Section 1341. Mr. Townsley pleaded guilty to two counts of mail fraud based on his mailing of renewal certifications to OMRI in 2005 and 2006.

The sentencing of Mr. Townsley is scheduled for June 13, 2012, before Judge Charles R. Breyer in San Francisco. The maximum statutory penalty for each violation of Section 1341 is 20 years imprisonment, a \$250,000 fine, three years of supervised release, and a \$100 special

assessment. However, any sentence following conviction would be imposed by the court after consideration of the U.S. Sentencing Guidelines and the federal statute governing the imposition of a sentence, 18 U.S.C. § 3553.

The case is being prosecuted by the Special Prosecutions and National Security Unit of the U.S. Attorney's Office in San Francisco. The prosecution is the result of a two-year investigation by the United States Department of Agriculture's Office of Inspector General – Investigations and the Federal Bureau of Investigation. The United States Attorney's Office acknowledges the significant effort devoted to the investigation of this matter by the California Department of Food and Agriculture.

Further Information:

Case # CR 10-0428 CRB

A copy of this press release may be found on the U.S. Attorney's Office's website at www.usdoj.gov/usao/can.

Electronic court filings and further procedural and docket information are available at <https://ecf.cand.uscourts.gov/cgi-bin/login.pl>.

Judges' calendars with schedules for upcoming court hearings can be viewed on the court's website at www.cand.uscourts.gov.

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