

The Fall of the House of Rubashkin

As the nation's largest kosher empire implodes, Brooklyn's ultra-Orthodox Jews begin to break ranks

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AP Photo/Iowa City Gazette, Jonathan D. Woods



Photos like this, of Agriprocessors CEO Sholom Rubashkin, are reverberating in Crown Heights.

Newscom/ Mark Hirsch/ Rapport



Conditions—for animals and people—at Agriprocessors have even loyal supporters of the Rubashkins wondering.

Jeremy Bales

Men in long black coats and women wearing stiff wigs crowd the benches of the courtroom at the Federal Building in Philadelphia. The room is packed, so the men remaining outside wait to take turns with the ones indoors.

Early on the morning of Monday, November 3, dozens of people had taken a charter bus from Crown Heights, the center of New York's Lubavitch Jewish community. Even more had carpooled. They had come for the sentencing of Moshe Rubashkin, chairman of the Crown Heights Jewish Community Council (a powerful nonprofit) and former owner of Montex Textiles in Allentown, Pennsylvania.

When a still-unidentified arsonist started a blaze at the Montex plant in 2005, it burned down with 300 drums of hazardous chemical waste inside. Rubashkin subsequently pleaded guilty to illegally storing the waste, which had been transported from a textile factory his family owned in New Jersey. But the city says he refused to pay the \$450,000 in cleanup until the EPA forced him to do so. Allentown's city solicitor, Martin Danks, says the Rubashkins still owe millions of dollars in unpaid taxes.

Inside the courtroom, Rubashkin, an excitable 51-year-old man—his defense lawyer had claimed he was suffering from attention deficit disorder—listens in silence as a prosecutor blames him for

endangering the people of Allentown with his carelessness. But when it comes time for him to speak, Rubashkin launches into a stream-of-consciousness oration—not about Montex or Allentown, but about the history of the Jewish community in Crown Heights, and about Menachem Mendel Schneerson, who is known as "the rebbe" to Lubavitch Jews, a revered rabbi who died in 1994.



Where the Rubashkin empire got its start

His audience of supporters, meanwhile, is on edge. Beyond their concerns about the sentencing, they've heard rumors that Agriprocessors, the Rubashkin family's notorious kosher-meat-processing plant in Postville, Iowa, is on the verge of bankruptcy. (Bankruptcy papers were filed the following afternoon.) In May, Agriprocessors became a national news story when the federal government made it the subject of what was then the biggest immigration sweep in history, taking 389 undocumented workers into custody. The workers had been paid some of the lowest wages in the nation, and were allegedly forced to work up to 17-hour days with 10-minute lunch breaks in a

freezing-cold, dirty hallway. Workers as young as 16 were said to have been operating meat grinders and power shears, often without any safety training.

Before the raid, the Rubashkins had been running a multimillion-dollar kosher empire that sent beef and poultry of the highest religious standard to places as far-flung as Anchorage, Memphis, and Jerusalem, under the brand "Aaron's Best" (named after Moshe's father, the family patriarch). The Agriprocessors plant employed about 700 people and was estimated to supply more than 60 percent of the country's kosher meat, reporting annual earnings of \$300 million. Since the raid, however, the empire was imploding: The federal and state investigation resulted in three indictments for Moshe's brother, Sholom; the lack of workers after the raid had the Rubashkin family resorting to recruiting new employees in the former American Pacific territory of Palau; and with Agriprocessors offline, the price of kosher meat was rising.

The Rubashkins' slaughterhouse has been in trouble before: In 2004, Agriprocessors weathered an animal-cruelty scandal—videos secretly taped at the plant showed cattle stumbling around with their throats cut and their windpipes pulled out, trying in vain to bellow. The videos proved highly offensive to Jews: "Kosher" is supposed to ensure a more humane process of slaughter. The scandal led to a workers'-rights investigation and a boycott of Rubashkin meat by conservative Jews.

But only a few Rubashkins have been accused of wrongdoing, and even they still have their friends.

Rabbi Eliezer Yarmush, director of social services at the Crown Heights Jewish Community Council, is sitting on a card table outside the courtroom. Despite the nearly daily news reports about Agriprocessors and the crumbling Rubashkin empire, Yarmush says that he hasn't followed the news and isn't interested in controversy: "Absolutely nothing unethical happened at that factory," Yarmush declares with certitude, adding that he's not concerned that Moshe Rubashkin's sentencing will harm his standing with the publicly funded nonprofit. Also standing by Moshe Rubashkin is Crown Heights Democratic Congressman Eric Adams, who took a day off from work to testify as a character witness at the Philadelphia sentencing.

But another man, who didn't want to give his name for fear that his words might upset the Rubashkins,

admits that the constant bad news is having an effect on the Lubavitchers: "We are going through a terrible, terrible time," he says.

Inside, Rochelle Ginsburg, 22, has squeezed onto a bench that the Crown Heights visitors have designated the women's section. "It's about time that we stood up and did something for this family that has done so much for us," she whispers. "You know how Jews are. Like the Holocaust, people just think: 'Oh, it will pass.' "

She fiddles with her pink handheld, opening it to a Facebook page titled "Stand up for the Rubashkins."

Beside her, women clutch prayer books, vigorously mouthing Hebrew phrases. One woman, a widow with six children who says that Moshe Rubashkin had paid for her visit to Israel, asks whether the judge seems confused. She hopes so, she says, because that's what she prayed for.

To show how the Rubashkin family's legal troubles are playing out in the ultra-Orthodox community, Ginsburg calls up an e-mail that has been circulating among Lubavitch Jews. For many in Crown Heights—most of whom have considered the mainstream media to be biased against them ever since the 1992 riots—such e-mails are a primary source for news. The message on Ginsburg's device asserts that the government crackdown on Agriprocessors is part of a plot by conservative Jews to take over the kosher-meat industry. "There's a lot of money in that," Ginsburg whispers. The e-mail also claims that Agriprocessors is being unfairly victimized by the government.

After the sentencing hearing wraps up, people file back to the bus. "I'm just wondering if this is some old garden-variety anti-Semitism that they would be treating them so differently," says Chani Seligson, who is sitting in the back row. "It just seems like people are out to destroy the company."

Moshe Rubashkin's sister, Rochel, is also on the bus. Normally an amicable woman who helps out in her mother's restaurant, today she is irate. She says that liberals—including the "Jewish press"—will destroy the Jewish people and, also, the world. "Why are they letting the chickens [at the meat-processing plant] starve because the Rubashkins can't afford to feed them? These are people who will fight for the rights of animals but not for the rights of an unborn child," she says. "When I first heard Rush Limbaugh, I thought, that's insane. But it's true! People who are totally liberal will be responsible for the destruction of society as we know it."

The next day—Election Day—Moshe Rubashkin is sentenced to 16 months in federal prison for illegally storing the hazardous waste.

It's not his first felony conviction. In 2002, he was sentenced to 15 months in prison after writing \$325,000 in bad checks from an empty Montex account. A few months after being released from prison, thousands elected him to lead the community council, where one of his most important jobs is helping to select the rabbis who certify the kosher standards for meat that comes into the neighborhood. And while Moshe had practically no hand in running Agriprocessors, his role in the community council makes his the face of the Rubashkins in Crown Heights.

Days after this new sentencing, Sholom—the longtime CEO of Agriprocessors—is arrested for the second time by federal agents investigating the plant, and is charged with bank fraud totaling \$35 million.

Earlier, in September, child-labor indictments had been leveled at both Sholom and his father, Aaron.

But as the legal firestorm has erupted around the Rubashkins, two Brooklyn ZIP codes continue to provide a safe haven for them. The first is Borough Park, where Aaron Rubashkin opened his neighborhood butcher shop more than four decades ago and where his wife, Rivka, can still be found serving homemade goulash to the destitute at her personal soup kitchen. The second, and the more important, is Crown Heights, where the Lubavitchers continue to stand behind the Rubashkins and seem oblivious to the checkered history of the family's business practices—some of it well reported, but much of it less well known.

Whether you talk to the man on the street or someone in the highest levels of Chabad-Lubavitch leadership, people seem undisturbed by—and often uninterested in—the litany of allegations against the Rubashkins. But if, to a visitor, things appear calm, there are places where Aaron Rubashkin's neighbors betray great anxiety about what is happening.

In frenzied disbelief, Lubavitch Jews witness what they once considered impossible: the fall of the house of Rubashkin.

In Crown Heights, stories about the Rubashkins' good works and their meat empire go on for miles.

Moshe Rubashkin has taken widows on trips to Israel and bought them vouchers to purchase clothes for the holidays. On weekday evenings, a group of unmarried young women gathers in his basement for a program he sponsors, called Nightlife. The Rubashkins fund religious schools for children in the neighborhood and support other schools around the country. For 46 years, the elderly Rivka Rubashkin has risen before dawn to manage the Crown Restaurant, an Old World deli where anyone can eat for free. On the Jewish holidays, neighbors say, Moshe crams 100 cots into his President Street mansion to accommodate out-of-town visitors who have no place to sleep. His wife cooks for everyone. For years, Aaron and Rivka kept the basement of their Borough Park home open so that homeless and mentally ill people could stay there.

The Rubashkin fortune itself, it is said, is founded in generosity: The family's business model was motivated by a desire to bring affordable kosher meat to the farthest corners of the country. According to his admirers, Aaron Rubashkin was pained at the thought of a Jew choosing to buy non-kosher meat because his local market didn't carry kosher meat or charged too much for it. Before the Rubashkins, a Jew living in Kansas would have to schlep all the way to Chicago to do his family's grocery shopping. And even where kosher meat was available, Rubashkin was able to deliver it cheaper and fresher.

In 1989, Aaron Rubashkin saw an ad in *The Wall Street Journal* for a dilapidated plant in Iowa. It was located in a town that so typified the decline of American industry that Jimmy Carter had paid a visit there in the '70s. "To risk every penny, at 60-some-odd years old, to open a slaughterhouse in Postville, Iowa? Everyone thought it was crazy," says Rubashkin family friend Tzvi Lang. And the first years were very rough: "They worked on very small margins," says Menachem Lubinsky, a kosher-meat-industry consultant and former Agriprocessors spokesman. Postville, people in Crown Heights will tell you, was "nothing" before the Rubashkins.

Rubashkin succeeded, goes the story told in Crown Heights and repeated by the press, because he paired hard work with the desire to help his fellow Jews.

Get out of Crown Heights, however, and you hear a different version of the Rubashkin success story.

Until three years ago, Miriam Shear and her husband were philanthropists who had given hundreds of thousands of dollars to Jewish charities, supporting schools in Boca Raton, Florida, Memphis, and Louisville. They say that the Rubashkins' strong-arm business practices drove them into bankruptcy.

The Shears had grown wealthy selling alarm systems and life insurance. As members of a small community of Orthodox Jews living in Memphis, they ran a successful kosher-food bank that served a few hundred Jewish families. Incensed at what they say were astronomical prices for kosher food—a three-pound block of cheese at Kroeger's, the only grocery in town, cost \$25—the couple decided to open a rival store in 2003. They called their business the Kosher Case Club. Hoping to expand into meat and poultry, Shear met with Heshy Rubashkin at Lubinsky's annual kosher-food show in New York. But Heshy, who was already doing a brisk business with Kroeger's, refused to sell to her, she says.

Shear found another distributor in Atlanta and began selling meat processed by two of Rubashkin's competitors, Empire Kosher and Alle Processing, and chicken shipped from Canada. Shear says she was able to significantly bring down the price of perishable items—she sold cheese blocks for \$16, and skinless, boneless chicken that went for \$18 at Kroegers she sold for \$8. Shear says that she quickly learned how easy it was to profit by creating competition in a niche industry in which prices were being kept artificially high. After the *Memphis Jewish Journal* featured her store in an article, she was so successful that customers began driving from as far as New Orleans to shop there. Soon, she began to receive calls from Jews in other parts of the South who wanted her to open additional stores. In Tampa, where the only kosher meat for sale came from Agriprocessors, grocers told her that shipments sometimes contained meat so discolored that it had to be thrown away. But if you complained to the Rubashkins, they told her, the orders would simply stop coming. Members of the Lubavitch sect told Shear something that has been corroborated by others: Their rabbis told them that they should only buy meat from Agriprocessors—nothing else was considered pure enough.

In 2005, Shear met with the regional representative for her Atlanta distributor, Hudie Lipszyc. She says Lipszyc had driven six hours from Atlanta because he needed to tell her something. The distributor warned her to get out of the kosher-food business, telling her, she says, that if she didn't, the Rubashkins would retaliate.

She says he actually used the words, "They are going to squash you," which turned out to be the same phrase two other people later used to describe the Rubashkins. And when she told Lipszyc she had no plans to close her store, he told her that she was actually in danger.

(Lipszyc tells the *Voice* that he did, indeed, warn Shear that she should leave the business, but he denies warning her specifically about the Rubashkins. He says he may have used the word "squashed," but if he did, it referred to competition generally. He denies that his warning referred to physical danger.)

Incensed, Shear told Lipszyc that not only was she going to ignore his advice, but she planned to open another store in Detroit.

Before she moved to Detroit, however, she consulted with the *vaad*, the local rabbinical council there. Detroit had only one kosher grocery store, One Stop Kosher, and the meat counter in the back was run by Shlomo Luss, a Rubashkin distributor, who serviced the entire region. In Detroit, Agriprocessors meat was also the main source in town. Shear wanted to obtain permission from the rabbis before opening up shop. As she was driving back to Memphis, she received a phone call from the *vaad*: They gave her the go-ahead and assured her that she wouldn't be treading on anybody's territory.

The Shears immediately turned the car around and drove back to Michigan. They purchased a home, renovated a warehouse, and bought thousands of dollars' worth of cash registers, freezers, and other equipment necessary to run a store.

In September 2005, a few weeks before they were going to open the branch, Shear got another call from the *vaad*: The distributor was taking her to a rabbinical court. Shear called the distributor. Shear says Luss threatened to spread a rumor that the Canadian chicken looked so clean because it was bleached, and that the meat she was going to sell didn't hold up to kosher standards. Once again, she says, she was told that the Rubashkins would "squash" her. Luss couldn't be reached for comment.

Soon, Shear's friends began to tell her about rumors spreading in the community: that her meat lacked kosher certification. Shear scrambled to get a certification letter from the Orthodox Union. She tacked the letter up in her store. But the rabbinical court made things difficult, issuing the decision that she could sell meat only by the caseload, which she says made it almost impossible to do business. (The *vaad* disputed this at the time.) She ignored the decision and went ahead. But a month after opening, some distributors that she had lined up to stock the store with products suddenly stopped selling to her. Shear says they didn't return her calls.

In July 2006, nine months after opening, the Shears shut the doors of their Detroit store. They were almost bankrupt. Their house went into foreclosure. They say they could barely afford to pay their children's health insurance. They packed up 12 suitcases and moved to Israel, where Shear is working two part-time jobs to pay the bills. "We went from being very wealthy people to being totally financially devastated. And from something that started as a *mitzvah*," she says, using the Hebrew word for "good deed." "We went from being people who gave in the six figures of *tzedakah* [charity] to being totally wiped out. This has been a total nightmare."

The Shears' ordeal was well known in Detroit's Jewish community and sparked an internal battle within the *vaad* itself. In September 2006, the Shears received a settlement of \$160,000 from the distributor and the *vaad*. The settlement was just enough, she says, to make up for the salary she had lost during the year. In 2006, the Justice Department began an antitrust investigation into the entire kosher-meat industry.

Shear isn't the only person who says the Rubashkins don't always play fair. Simon Fields owns a kosher supermarket in South Florida. He says that when he stopped selling Rubashkin products five years ago, the local Lubavitch rabbi told his congregants to stop buying meat from his store because it was no longer kosher, even though he had a valid Orthodox Union certification.

Robert Katz, an Orthodox Jew who runs a private-equity firm in California, used to own three large

kosher supermarkets in South Florida. Katz worked with the Rubashkins for years, paying only in cash, and estimates that he brought the company around \$10 million in revenue. Katz says Agriprocessors was always a disorganized company—shipments couldn't be counted on to contain the right orders or to arrive on time.

When Katz got behind on his payments and his store began to suffer, he says the Rubashkins turned on him. They began to screw up his orders—delivering frozen chickens instead of fresh ones, green meat, and sometimes not delivering at all. "They were taking the noose and tightening it around my neck. I couldn't get back on my feet," Katz says. "They made my life a living hell, the vultures. And it was premeditated, so that a new competitor that was opening in town would get the upper hand," Katz says. "Now, the shoe is on the other foot."

Katz says that the idea that the Rubashkins made meat affordable for people is a myth. "Did they lower the price of meat? Bull! They created a monopoly and controlled the price of meat!" He continues: "Do I believe they cared about their employees? Absolutely not. Did greed play a big factor in what happened to them? 100 percent. Did they play by the rules? Absolutely not. They tried to harm me on purpose."

If some Rubashkins have ignored the secular world's statutes and regulations, the family's supporters don't seem concerned.

"What happened at Agri is a bunch of laws. But people aren't looking at who this family is. Nobody who is condemning them holds themselves to the standards that the Rubashkins live by. They play by different rules," says family friend Chaya Lang, reflecting on the case at home one evening. "They are not overly into the letter of the law. They may not even know the law!"

She pauses and then reflects: "There are people that live by the law but will never do an act of goodness to anybody. And then there are people that are so busy helping people that they don't know what the laws are." That's a shame, says Lang, because their blindness has only ended up hurting them. "Most good people don't know how to protect themselves."

The Rubashkins, however, don't seem to lack an understanding of how to protect themselves. They do so with the best resources money can buy. If their admirers like to believe that the Rubashkins run a mom-'n'-pop operation that ran into trouble when they collided with big business and big government, the Rubashkins seem to understand what sandbox they're playing in.

They hire high-powered lawyers—a former Iowa U.S. attorney was handpicked as the Postville plant's chief compliance officer after the raid. Representing Aaron Rubashkin on and off since the 2004 animal-cruelty scandal is the celebrated constitutional lawyer Nathan Lewin, who defended former president Richard Nixon in one of the 27 cases he has argued before the U.S. Supreme Court. Earlier this year, Lewin petitioned the Supreme Court to hear the Rubashkins' contention that immigrants at the Agriprocessors distribution center in Sunset Park don't have a right to unionize, because they are undocumented. Lewin's argument involves overturning a national labor-relations board position and a prior Supreme Court decision affirming that right. (Earlier this month, the Supreme Court declined to hear the case.)

The Rubashkins go to great lengths to defend themselves: When the undocumented workers in Sunset Park attempted to unionize with the UFCW, the Rubashkins used a tactic that had worked for them in years past. They signed the workers up with a "sweetheart" union run by fellow ultra-Orthodox Jews. The tiny Brooklyn-based union, Local 1718, was started by the Williamsburg sect of Satmar Chasids—which has some friction with the Lubavitchers—to combat the attempts by national unions to organize workers in local factories.

The Rubashkins also have a slick PR team. In May, the Rubashkins hired Ronn Torossian of fancy Manhattan firm 5WPR, whose client list has included Joe Francis of *Girls Gone Wild* fame as well as Paris Hilton. In July, a 5WPR employee was outed for posing as conservative rabbi Morris Allen on a Rubashkin whistleblower blog, FailedMessiah.com, operated by former Lubavitch butcher Shmarya Rosenberg. Allen is the founder of Hechsher Tzedek, a movement for a new kosher seal, which the Rubashkins oppose. In a blog comment, "Allen" claimed to have given up his movement's boycott of Rubashkin meat. Rosenberg traced the user's IP address to a 5WPR vice president, though the firm at first claimed that the mistaken posting was the work of a rogue intern. Shira Dicker, spokeswoman for Hechsher Tzedek, says that Torossian called her while she was on vacation this summer and insinuated that if she had "cheated on her husband or her taxes," she would be in trouble. "That's when I entered Sopranoland," says Dicker, referring to her involvement with Agriprocessors. Torossian says he's "not aware" of the incident.

In a community where it is practically taboo to speak out against the Rubashkins, dissent is finding an outlet on the Internet. On the most popular blogs in Crown Heights (such as CrownHeights.info or Vosizneis.com), every news item about the Rubashkins is heavily debated, sometimes receiving hundreds of responses. The Agriprocessors crisis has exploded long-lingering conflicts about how an intensely religious person, who follows a code of "divine" law, should regard the rules of the larger society.

Some argue that the Rubashkins have a greater obligation to the people of Crown Heights than they do the laws of the United States. Others shout back that making excuses for them is dangerous and will encourage other Lubavitchers to engage in law-breaking.

But if blog discussions have exposed a tension within the rank-and-file, support for the Rubashkins persists at the highest levels of the Lubavitch society. Zalman Shmotkin, a senior member of Chabad-Lubavitch, said during the summer that Chabad itself wasn't responsible for their behavior and was not going to take action against the family. "We're not a community of angels," Shmotkin said. "We're just a community of people trying to serve God." He explained that the Rubashkins were not major Chabad donors. But if the family doesn't send money to headquarters, the Rubashkins support a number of local Chabad houses, community members say. For two years in a row, the Rubashkins were honored at the annual fundraising dinner of Colel Chabad, one of the oldest charity organizations connected with the movement. The dinner was attended by Mayor Michael Bloomberg.

Shmotkin says that patience with people and their flaws was fundamental to the movement. But even if Chabad wanted to censure the Rubashkin family, he added, the movement was too fragmented to do so. "It's not like there's some board of directors that we can kick them out of."

In recent days, the comments left by Lubavitch Jews at FailedMessiah.com are taking on an increasingly frantic tone as commentators discuss the news coming out of Iowa. Regardless of what the people of Postville felt about the Rubashkins, the company town, population 2,300, is falling apart without them. The Rubashkins owned most of the local real estate. Now that they've closed up shop, hundreds of people have been left without heat in the Midwest winter. Jobs have evaporated, and immigrants who weren't deported are literally taking the last buses out of town. Jeff Abbas, of the local KPVL radio station, says that for the first time in years, his primary concern is no longer the Rubashkins—he's just trying to find people a warm bed and a roof over their heads.

Even in the quiet isolation of Borough Park, things seem to be coming unhinged. Aaron Rubashkin stays in his office on the second floor of his one-room butcher shop. Moshe paces back and forth in front of the windowpane, glued to his cell phone. The Russian store clerks don't dare bother him, and even his teenage granddaughter says that it's too stressful to go upstairs. The customers continue to buy large quantities of meat, stocking up to feed their large families over the coming Sabbath, in one of the last places in America where there's no shortage. They know something bad is happening, but they are not exactly sure what.

Only the elderly Rivka Rubashkin, wearing a multicolored scarf around her head, busying herself in her soup kitchen, seems truly immune to the crisis unfolding around her. When asked about the situation, she smiles placidly. "The rebbe," she says, "will make things better than they ever were before."