

VCF Watsonville (RP 7/12/90 p.1) - General

Cold-storage industry copes with food-industry changes

By SUSANNA HECKMAN
STAFF WRITER

As Watsonville gradually learns to face the possible departure — or at least shrinkage — of the frozen food-processing industry here, many people have made dire predictions about the future of related industries.

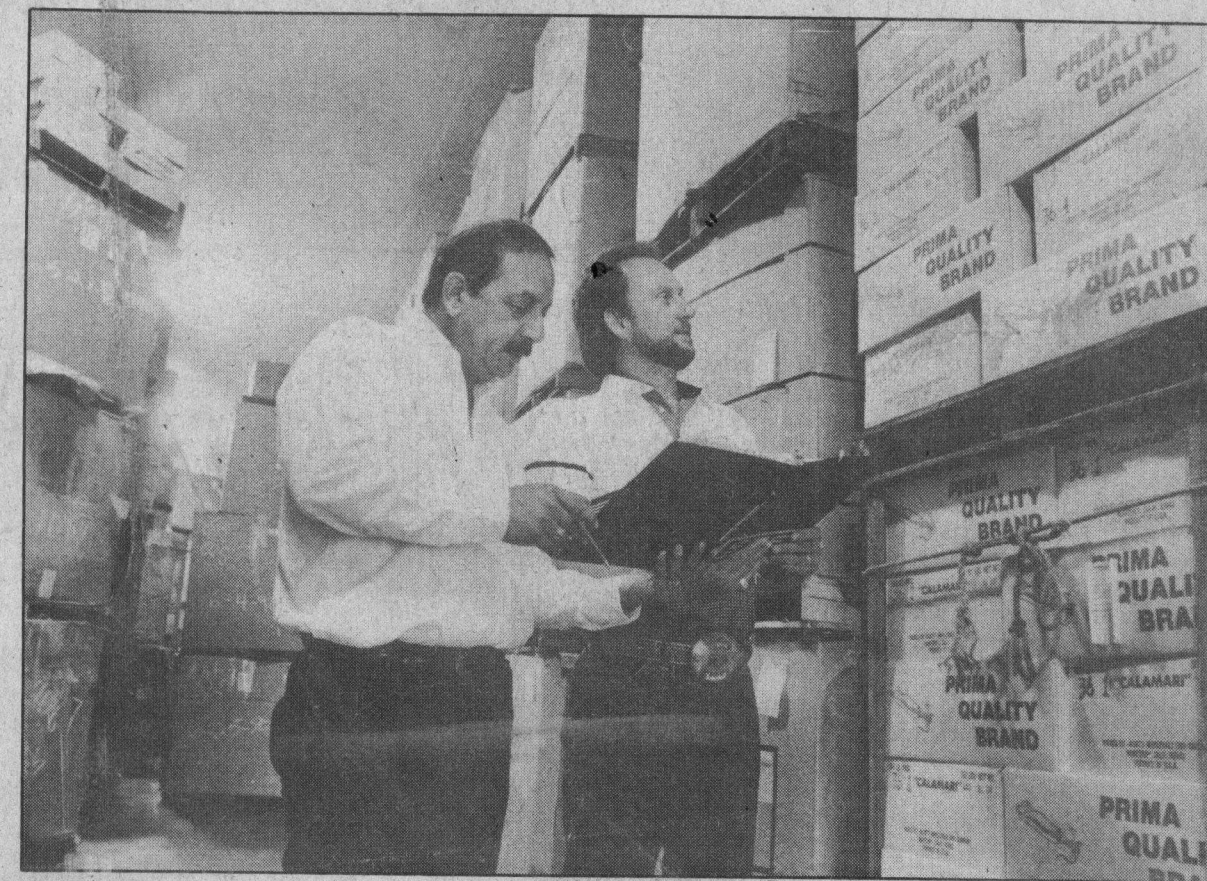
One of these in particular, the cold-storage industry, has to face other falling-domino effects as well. If a decline in processing and other factors lead to a decline in farming in the Pajaro and Salinas valleys, there could be less produce, fresh or processed, to store.

Small, independent warehouse owners worry that if competition becomes any more fierce, they could be squeezed out by corporate giants.

In the midst of all this, one young company is looking to old answers for financial survival: diversity and personal contacts.

Actually, the company is not one but several companies, tied together by a complicated weave of business partnerships and headquartered at the same place on Kearney Street — the newly renovated Farmers Cold Storage & Freezers.

The old Farmers company has been in Watsonville since the 1930s. About a year ago, the 3.7-acre plant was taken over by several partners who were not exactly newcomers, either. For instance, Ray Rodriguez, Farmers president, previously worked at the J.J.



Kurt Ellison

Ray Rodriguez, left, and Mark Clark check inventory in cold storage.

Crosetti plant for 18 years.

His partner in the growing, packing and storing part of the network is Mark Clark, who has been a local grower for some time.

There are a total of five partners in the cold storage end of things, including Steve Shaw, who ran

Shaw's Frozen Food for a time after his father, Richard Shaw, retired.

The various companies employ seven warehouse workers as well as about 40 processors. The plant has room to store 11 million pounds of food.

Farmers Cold Storage has historically been willing to buy and process or store small amounts of produce from the little farmer as well as large amounts from the big processing companies or agribusinesses.

See COLD page 11

7/12

COLD

► From page 1

"It has always been a friend to the farmer — that's why we kept the name," Rodriguez said.

Supporting the small farmer has become unusual in the cold-storage business, which, like much of agriculture itself, has become increasingly large and corporate, he said.

The first thing the new partners did when they took over at the plant last summer was to diversify their storage capacity.

Besides produce, they can now store things like ice cream and chicken. They have also renovated the buildings so that they can refrigerate things that are not frozen, like apples — a service that had been all but abandoned in cold storage in recent years.

While there is much for a company like Farmers to worry about, its fortunes do not precisely parallel those of the local farming or food-processing industries. The ups and downs of the different businesses don't necessarily come at the same times for the same reasons.

For instance, Shaw said that over the last decade, the cold-storage industry has grown on the West Coast at the same time the frozen food-processing industry here has shrunk.

That was because food distributors on the East Coast — where most frozen vegetables are sold — began to cut back on bulky seasonal inventories. The inventories tied up their cash, making them less flexible.

So the cold-storage industry

here began to flourish, as it provided the needed service closer to the farming and processing. It thrives on large inventories, and in the process partly sorts out the risks to the farmer and the risks to the distributor.

While their fate may not be directly linked to the other industries, cold-storage mavens nevertheless keep a very close watch on the changes their neighbors in the cannery district are experiencing.

Rodriguez, Shaw and Clark said they are alarmed, although not surprised, at the partial shift in vegetable processing from here to Mexico. Such a shift had been rumored for at least a decade, and about five years ago several cold-storage plants sprouted along the border with Mexico in anticipation of the shift.

"I'm afraid to project more than two or three years out," Shaw said.

Shaw added, however, that there are always going to be frozen products to store here — for a company that's "out beating down the doors" to get a market share.

Another factor they think about — one that's even harder to predict — is the whim of the consumer. Will he or she reach automatically for the perfect-looking produce, or pay a little extra for safer, less pretty produce?

To what extent will consumers go to be assured that their food is safe?

Clark said he wished there were ways to label vegetables so that consumers could know what's grown in the U.S. If there were, he said, foreign-grown products would be sitting on the shelf for a long, long time.

"(Consumers) are so pesticide-oriented, they're so scared," he said.

One of the reasons such labeling is a pie-in-the-sky idea, however, is that once in processing and packaging plants, the vegetables are mixed, separated into small quantities, put in blends with sauces.

Bulk foods are distributed and trucked around and by the time a vegetable gets to the table, no one knows where it came from.

Clark and his partners are cynical about government inspections of vegetables crossing the border from Mexico.

They repeat stories they've heard about the way the process works — that an inspector pulls out one box from an entire truckload, but doesn't have time to really test even that one box for pesticides, like DDT, which have been banned in the United States.

Not only are tests relatively superficial, they charge, truck drivers know that trucks are not stopped on weekends.

Here, on the other hand, the regulatory climate is becoming ever more pressing. For instance, Clark said farmers recently "lost" tuolene, a fumigant that killed microorganisms that eat seeds and also stimulates rapid growth at the same time.

As a grower, he expresses a sense of resignation.

"A housewife in the store looking at a rotted head of lettuce full of worms and bugs — she's going to end up buying the foreign products," Clark said.

That, combined with much lower labor costs in Mexico, will almost certainly wear away at the food production industry.

"It will be a chain reaction that will affect us all, from farming to cold storage," Rodriguez said.

There is also the question of economies of scale here in Watsonville. If more of the frozen-vegetable industry leaves in search of cheap labor, what will it do to the costs of energy, trucking, water and the like, for those who remain?

The Farmer's partners say they just don't know.

Shaw, however, said he takes comfort in knowing that "there are some advantages to being small and flexible."

"We're trying to be optimistic," Shaw added. "This place was virtually shut down, and we turned it around and made it into a viable business in a short period of time."