

# Food processors remain optimistic after closing

## Green Giant departure no death knell, officials say

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WATSONVILLE — Pillsbury/Green Giant cited stiff competition, a glut of product and changing consumer tastes as reasons for closing its Watsonville frozen-food processing facility.

But the county's two remaining frozen-food producers, while acknowledging the business isn't getting any easier, say the prognosis for their niche in the industry is stable and slowly getting better.

"Obviously, this food industry has been

extremely competitive and it is not a very attractive situation," said Byron Johnson, president of Richard Shaw Inc. frozen-food processors in Watsonville.

"However, I do foresee some reasons for optimism," Johnson said.

Excess inventory, prices hovering at mid-1980s levels and competition from "private label" packagers helped kill the local Green Giant plant, according to Pillsbury officials.

The company announced Tuesday that it will close its local plant in January as part

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of a \$100-million "reorganization" of five frozen vegetable processing facilities in the United States and Canada.

Approximately 165 permanent and 70 seasonal employees at the West Beach Street plant, owned by Green Giant since 1968, will be laid off in what the company describes as part of a "continuing effort to improve profitability and customer service." In the U.S. and Canada, 600 Green Giant workers at five production plants will lose their jobs.

"This is clearly aimed at making this business more competitive," said Pillsbury spokesman Terry Thompson for the company's Minneapolis headquarters. "If you don't, then you face other kinds of decisions."

Ray Walker, president and CEO of NorCal/Crosetti Foods Inc. in Watsonville, like the Shaw company a private-label packer, said Green Giant's estimation of the industry is true — generally speaking.

"The relative health of the industry is not particularly good," said Walker. "(Green Giant) talks about excess inventories and mid-'80s pricing and certainly I would concur. ...

"However, we're seeing a trend that's starting to change that," Walker said. "Pricing is gaining a little margin and inventories are starting to come down a little bit."

Green Giant's closure, said Johnson, is part of a "a recognition throughout the industry that there needs to be reductions in production that are more consistent with the consumption."

Inventory in the North American market has been high, he said, "but industry supply is starting to tighten and part of that has been driven by Mother Nature in the Midwest."

Disastrous summer flooding in the Midwest wiped out crop production, and U.S. demand for frozen vegetables could increase as a result, said Johnson.

Changing consumer attitudes toward private-label products could also boost the fortunes of at least some producers, said Walker.

Private packers produce "house-brand" products for large super-market chains and wholesale distributors. The custom-labeled boxes and bags of frozen vegetables usually retail for 20-30 cents less than major-label brands such as Green Giant. And consumers, said

Walker, are "finding that the quality of the private label is just as good as the brand."

Thompson blamed private labels for creating an "irrational pricing environment" that hurt Green Giant.

"The very simple fact of the matter is that 95 or maybe even 98 percent of the time, there is not any difference (between the brands)," said Walker.

Private label frozen foods are a growing segment of the industry, said Steven Anderson, president and CEO of American Frozen Food Institute, a Washington D.C.-based trade and lobbying group.

According to the Private Label Industry Yearbook, American consumers spent \$24.6 billion on house-brand supermarket products last year, said Anderson.

"What's happening is that we're in such a soft economy now that people are looking at value," Anderson said. "Some private labels are doing very, very well."

Changing consumer habits at the grocery and increased demand could signal the end to a tough stretch for the industry, which has always been cyclical, said Johnson and Walker.

"The worst of this cycle is behind us," Johnson said.

Frozen-food processors are beginning to hook up with the National Cancer Institute's "Five a Day" plan promoting the consumption of five fruits or vegetables a day to reduce cancer risk. The campaign promotes good health — both for the consumer and the frozen vegetable market, said Anderson.

"I'm fairly optimistic about the future of the industry," he said.

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