

State investigating debt problems of Watsonville Canning

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The financial standing of Watsonville Canning and Frozen Food Co. is the subject of a full-scale investigation by the California Department of Food and Agriculture.

The investigation centers on complaints by growers that the strike-bound company owes them money, and could lead to closure of the plant if a resolution can't be found quickly.

'We won't know the magnitude of this case until the investigation gets a little further along.'

according to one state official.

Notice of the state investigation, combined with yesterday's "temporary plant closure," has already led to speculation locally that the company has shut down for good.

The department's Marketing Enforcement Division is following up reports that the company has been negligent in paying growers and packers who supply it with vegetables for processing.

A suspension of Watsonville Canning's operating license could be the end result of the investigation if the company is unable to satisfy alleged debts, according to George Reeves, chief of marketing enforcement with the department of agriculture in Sacramento.

More than 1,000 workers have been on strike against the frozen-vegetable packer since September 1985. The company has been operating during that time with replacement workers.

Reeves said he opened the investigation last Friday at the direction of department director Clare Berryhill, who had received several requests to investigate the company.

Additionally, a Santa Maria firm, Bonita Packing, has filed a formal complaint with the

department of agriculture, asserting Watsonville Canning owes Bonita money.

"We won't know the magnitude of this case until the investigation gets a little further along," said Reeves.

The amount of the alleged debt owed Bonita Packing is confidential, but Reeves said he thinks it is significant. He said the larger investigation will likely reveal debts to other growers and packers throughout the state who have supplied Watsonville Canning.

The company locked its gates yesterday in what officials said was a routine shutdown for this time of year. Ron Trine, Watsonville Canning's president, said he expects to call all workers back by Oct. 6.

"We're in a typical and normal planning-gap period," Trine said. "It happens every year."

However, other industry sources dispute that such a shutdown is typical. Temporary slowdowns — due to rain or planting patterns — is typical, but shutdowns are not, they say.

For example, at Richard A. Shaw Inc., vice president Steve Shaw said rains have delayed harvest by a day or two and caused the layoff of about 250 of the 700 people employed during the peak season. He said he expects all workers to be called back for the next peak in October, weather and harvesting permitting.

Shaw said that both temporary and permanent employees from Watsonville Canning have

been coming to his plant seeking work. He said among those seeking work have been shipping and purchasing agents and other management personnel.

Teamsters union officials say they believe Watsonville Canning has closed down permanently because of deep financial troubles. The plant closure is an indication that the company cannot meet the payroll, they say.

Since the strike began, union officials have said the company would be unable to function for long without trained workers and have also alleged that the company has been on the verge of bankruptcy.

No Watsonville Canning official was available for comment

on the investigation.

Reeves said the probe may last two or three weeks but could then result in a quick closure of the plant.

"I took a trip to Watsonville on Tuesday and talked to Trine as a result of the inquiry," said Reeves. "Now I'm waiting for a call back for a meeting next week so I can see their accounts payable and see exactly what is happening there."

Reeves said after the company books are assessed, Watsonville Canning will have to reach a settlement agreeable to creditors, or the operating license of the plant will be revoked.

"If it gets to a point where there is no cash flow or if a payment plan is not satisfactory to a grower, we will take action against their license," he said.

Reeves said the purpose of the Marketing Enforcement Division is to protect growers' rights and help enforce contracts made with processors.

"You bet the producers hold the cards in this case, and they should. After all, it is their money that hasn't been paid," he said.

"There is a limit to our power, however," Reeves added. "and everyone should recognize that if pushed to a certain point, Watsonville Canning can always file bankruptcy under Chapter 11."

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REFERENCE

WATSONVILLE
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