

Midwest company acquires Shaw's

By JAMIE MARKS
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WATSONVILLE — Richard A. Shaw Frozen Foods Co., which has assumed a leadership role in the city's turbulent frozen-food industry, has announced it is being acquired by a Midwest food-processing company.

Dick Shaw, the 68-year-old president of the family-run company that bears his name, said Dean Foods Co. of Franklin Park, Ill., has signed a letter of intent to acquire all the outstanding stock of Shaw. Negotiations have been ongoing between the two companies for about four months, Shaw said.

"They're purchasing all the stock of Shaw's. All of it," said Shaw.

"We are confident that with Dean Food's financial backing, its research and product development strengths and its commitment to the vegetable industry, Shaw, its employees and its customers, will benefit accordingly," said Shaw in a prepared statement. "Their decentralized management style will allow Shaw to continue to grow in its established markets, as well as new areas as part of Dean."

"I found a big brother," said Shaw in a telephone interview. "I've been approached for quite a few years (about selling), and I wasn't forced. But I had to do something to strengthen our position. It was either going public, which I

was contemplating doing in a year, or going to our employees with a (stock) participation plan."

Shaw said he has been put under increasing pressure from banks which are reluctant to lend to agricultural enterprises. Last fall, Shaw said, "I was put on a daily basis with the banks," and was forced to refinance his operations at considerable cost.

"To be put under that kind of pressure, and be told 'We don't want you anymore,' is difficult. The next thing you know they start jacking up the (interest) rates and pretty soon you're noncompetitive," Shaw said.

The new company will bear the Shaw name and operate independently of Dean Foods Co. Shaw said he will remain under contract with the company in an advisory role for the next five years. Shaw's son, Bruce, will remain in the production end of the business and another son, Jeff, will stay in administration.

Dean Foods Co. has a wholly owned subsidiary, the Larsen Co., which has nine vegetable-processing facilities in Wisconsin, specializing in milk products, including cottage cheese, ice cream, aged cheddar cheese, as well as canned and frozen vegetables, pickles, relishes, salad dressings and fruit drinks. Shaw said Dean Foods furnishes Baskin Robbins with milk for its ice

cream.

Shaw employs more than 750 people in peak harvest season and has sales of about \$55 million. Dean Foods Co. has sales of about \$1.5 billion annually, Shaw said.

"I think it shows these people have confidence in the California industry," said Shaw. "It's good for the frozen-food industry knowing such a substantial institution is coming into California."

The frozen-food industry has been rocked in recent years by strikes, a huge increase in foreign competition and plant closures.

In 1985, more than 1,000 local Teamsters workers went to the picket line after three companies called for significant wage cuts. All three of those companies have now undergone major restructuring. Watsonville Canning and Frozen Foods Co. went out of business and was bought by David Gill, a King City grower, in March 1987. The new company was called Norcal Frozen Foods. In September of 1987, J.J. Crosetti Co. announced a merger with Norcal, which resulted in a new name, Norcal/Crosetti Food Co., and the closure of Crosetti's Pajaro plant.

Now, it's Shaw's turn.

It's unclear what role the Teamsters Union will have in the new company. Sergio Lopez, secretary-treasurer of Teamsters Local 912 said it appears that

"none of the workers will lose their jobs.

"The jobs of our members, their seniority and the labor contract are our concern," he said.

Details of the union's role will be worked out when the sale is complete, probably early next week, Lopez said.

Shaw said some of businesses in the Dean Foods operation are union, some are not. He said he expected the union to continue to represent workers at Shaw.

Shaw recently announced a new labor contract with a 20-cent an hour pay raise, bringing beginning wages for production-line workers to \$6.05 an hour. The contract will be re-opened in February 1989.

Shaw opened his frozen-food company 11 years ago, after working for the now-defunct Watsonville Canning and Frozen Foods Co. for some 20 years.

The company specializes in broccoli, spinach, cauliflower, brussel sprouts and a number of vegetable "blends." None of those vegetables are grown in any significant quantity in the Midwest.

Howard M. Dean, president and chief executive officer of Dean Foods Co., said, "Although Shaw will operate as a separate entity, we certainly expect the acquisition to result in important synergies in the areas of production, sales and marketing."