

Frozen food's future

Focus is on Watsonville as talk turns to trade tariffs

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Watsonville will soon be one of the focal points in a debate between the Bush administration, Congress, the frozen food industry, the Teamsters Union, and possibly the Mexican government.

On the large scale, the subject is international trade policy. In Watsonville, the human-scale stakes are no less than the frozen food plants which have provided thousands of Watsonville families with income for more than four decades.

A century ago, the Spreckel's Sugar plant helped Watsonville pull through the depression of the 1890s, and then moved south to follow the sugar beet crop. Town leaders panicked, but eventually the local economy turned to berries and later to apples.

The current mood has not yet reached panic. But rumors about particular plants closing have become relentless. Each of the companies has denied them. But the rumors point to the anxiety many local residents are feeling, and to the underlying question: Can Watsonville avoid becoming another Detroit?

Not the last word

The Office of the U.S. Trade Representative, which answers to the White House, has been considering for a few months lifting the 17.5 percent tariffs it now charges on frozen vegetables from Mexico. Its consideration process apparently included accepting written comments and holding a hearing in which at least one local grower testified, according to a spokeswoman in the office of Rep. Leon Panetta, D-Carmel.

Based on that office's recommendation, the Bush administration is expected to make an announcement one way or the other by the middle of this week.

However, that will apparently not be the last word on the matter, because Congress is also getting into the act. The House of Representatives' Ways and Means Committee has requested a study by the International Trade Commission. The ITC is an independent agency which studies whether trade policies will hurt U.S. industry.

As a result, the ITC is holding public hearings in Tucson, Ariz., starting May 8. Several local frozen food industry officials will be there.

Can't compete

Frozen food industry executives have said they simply can't compete with the increasing amount of imported frozen food from Mexican plants without the protection of the tariffs. Plants in Mexico can operate more cheaply than their counterparts



R-P file photo/Kurt Ellison

Women sort broccoli at the Shaw plant.

here could ever hope to.

Larry Taber is the president of the Sacramento-based California League of Food Processors, an association of 65 canneries, frozen-food processors and dried fruit producers, as well as 130 affiliates with ties to the industry.

He said the league is "concerned" about the growing frozen food industry in Mexico, and lays much of the blame at the

would be dependent on foreign sources for food — a future that politicians may realize is not a desirable one.

Decade of change

The problem has not developed overnight. California's canning and frozen food processing industry has been undergoing major changes throughout the 1980s. In 1979, there were about nine companies here, including Watsonville Canning, Richard A. Shaw, Crosetti, Green Giant, Del Mar, John Inglis (which also had a plant in Santa Cruz,) New West, Frank Oliver & Sons, and Smucker's.

Together, the industry employed an average of 7,000 people during peak seasons, according to the Teamsters Union.

Now, after a slew of corporate buy-outs and mergers, the field has narrowed and the trend has been toward large corporate ownership. The industry now employs about 4,000 people during peak seasons.

For example:

- Green Giant was bought by Pillsbury about 10 years ago, then Pillsbury was bought last year by Grand Metropolitan in London.

- Watsonville Canning went bankrupt in 1987. David Gill, a King City grower and one of the company's major creditors, formed a new company, Norcal, took over the Watsonville Canning plant, and later in the year announced a merger with Crosetti. Last month Norcal-Crosetti sold a minor interest to a Boston insurance company.

- Shaw was bought in 1988 by a Midwest corporation, Dean Foods.

- Inglis and Frank Oliver & Sons went out of business, and the loss has been only partly

Who wins?

In the intricate balancing act that makes up international trade policy, there are winners and losers in any tariff or production decision. Stories on page 11 explore the issue of Mexican production, tariffs and debt.

feet of government environmental and other restrictions.

Between state and federal officials, he said, "they're making it incredibly difficult to operate in this state."

But the main problem, he said, is that Mexican plant operators enjoy a significantly higher profit margin because they pay their workers between \$3 and \$4 a day, and have lower costs for energy and water as well.

"It's an almost impossible situation for us," Taber said.

"We can still do things — we are more efficient, and have more political stability. But there's only so much efficiency you can wring out (of a given plant.) It's a constant struggle to overcome their competitive advantage with labor."

Taber argues that the government will have to listen to the industry if it wants to keep food production within its borders. Once it's gone, he said, the agricultural land would be developed, and the United States

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made up by two new, mainly strawberry-processing plants, Naturipe and Carriage House Foods.

Even before the 18-month strike from September 1985 to March 1987 against the now-bankrupt Watsonville Canning, there were signs of trouble. The Teamsters struck when the plant owners were asking them to swallow a one-third pay cut, down to \$5.05 an hour. A strike at Shaw lasted four months.

The reason for the hard line on wages, the companies said, was the pressure on the market from cheaper Mexican imports and the popularity of fresh produce.

Several of the nearly two dozen plants in Mexico are owned by U.S. companies, in-

cluding Pillsbury. In January, Grand Metropolitan announced it would be closing many of its U.S. plants. While it has said it won't close its Watsonville plant, it did announce at the same time that it is moving its broccoli and cauliflower production — a mainstay in Watsonville — to Mexico.

Many people now privately speculate that Watsonville's plants are doomed — that it is inevitable that the entire industry will shift to Mexico, now or later.

Nothing draws such a quick response from Taber.

"That's a hell of an attitude," he said. "It shows a lack of creative thinking, a lack of guts, a total lack of understanding."

Multiplying impact

The potential economic impact of losing the frozen-food industry here has not been lost

on local city, county, schools or union officials, especially as the area recovers from the Oct. 17 earthquake.

In March, for example, Teamsters Local 912 second-in-command, Joe Fahey, and Watsonville City Councilman Oscar Rios both completed separate trips to Central Mexico to investigate the rapid growth of the frozen food industry there and the conditions for workers.

Both returned and immediately began using the information they collected to urge the plants to stay.

Earlier this year, the changes at Pillsbury-Green Giant became part of school board discussion when it was weighing whether or not to expand Salispuedes Elementary.

And last week, the Watsonville City Council joined the Monterey County Board of Supervisors in voting unani-

mously to oppose any reduction in U.S. tariffs on imported frozen vegetables.

The potential impact has also not escaped the area's Congressional representatives. Panetta, for example, recently sponsored a bill that would prevent the federal government from buying imported processed agricultural products.

A press release from Panetta's office said that the federal government buys about \$350 million annually on fruits and vegetables for the military or other programs.

"Companies are obviously free to make whatever decisions they want as to relocation in other nations in search of cheaper labor and weaker (pesticide and labor) standards," he said in the release. "But I do not believe that the U.S. government should be encouraging these decisions by buying those products."