

Watsonville wage cuts termed 'necessity'

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SANTA CRUZ — The president of embattled Watsonville Canning and Frozen Food Co. says the frozen-food processing industry is in grave financial trouble and must cut wages.

Company President Smiley Verduzco, in a rare interview this week, warned that if Teamsters Union Local 912 officials do not recognize that, and agree to Watsonville Canning's wage proposals, the strike will not end.

In the interview, actually more of a discourse with questions allowed, Verduzco broke a long silence and spoke with candor about issues involved in the strike, which began back on Sept. 9; about the frozen food industry; and about Watsonville Canning, the largest frozen-food processor in the United States.

He also responded to a story published in The Sentinel on Nov. 17 that quoted anonymous industry sources blaming Watsonville Canning for the strike's genesis.

"We're not the corporate pigs people would like to believe," Verduzco said. It had been a company policy, he said, not to speak to the media after what he described as "so much unhappiness" over one newspaper's accounts of strike issues. Plus, he said, "you don't want to negotiate in the newspaper."

Verduzco met at his request with Sentinel Editor Bruce McPherson and this reporter to defend both his company and his own role in the strike, which involves more than 1,700 workers and one other processing plant, Richard Shaw Inc.

City Editor Tom Honig also was present for much of the discussion, which ranged over topics as varied as union leadership, the future of the frozen-food industry and the possibility of Watsonville Canning picking up and moving to Texas, where wages are radically lower.

"There are jobs. We are continuing to pack," Verduzco said. "Somebody wants those jobs. Now the union is attacking the fields and truckers and growers. For what? A better contract? They're not going to get one. They simply aren't."

Verduzco said the possibility of a long strike, continuing into 1986 and beyond would be "perfectly fine," that Watsonville Canning's "permanent replacements" — what the company calls temporary workers hired to replace strikers — are doing a good job. Overall plant efficiency is up.

"They (strikers) can stay on strike one more day or five more years. We're going to fight this thing. It (Watsonville Canning's wage proposal) was not something done on an arbitrary basis. It was done out of economic necessity."

Striking workers, he said, have lost more money in three months on strike than they would have under the proposed wage cuts — from \$6.66 to \$5.05 at the last proposal for assembly-line workers, and other cuts for more skilled workers.

The union, he said, "miscalculated with this strike. The company doesn't have more to give. All the blood from the turnip has been drained."

Why? Because of outside competition and decreasing consumption of the company's frozen vegetables, Verduzco answered.

In The Sentinel story of Nov. 17, the unnamed industry executive had

recognized the growth of the frozen-food industry in Texas and other states, plus the increased competition from other countries, such as Mexico. But, the executive said, it really was over-capacity within the industry itself that was to blame for the problem.

He pointed the finger at Watsonville Canning for expanding its capacity to the point where it had to sell its product at low prices, thus cutting its profits and making it a necessity for the company to slash wages.

Verduzco said he did not particularly care for that story, nor for the anonymity requested by the industry executive. That executive, he said, rendered himself unaccountable by not allowing his name to be used; Verduzco called the charges a "cheap shot."

He said the statement that Watsonville Canning brought on the strike by its own actions was "far from the truth and reality."

Frozen broccoli was used as an example, since the industry packs more broccoli than any other product. Verduzco began by saying that potential packing capacity for the state is actually 1 billion pounds annually, not 500 million, as the industry executive said.

Annual U.S. consumption of frozen broccoli was at one time 400 million pounds, as the executive said, but that figure is now outdated, said Verduzco. He said annual consumption decreased to 339 million pounds in 1984.

Verduzco said the decline in consumption has come about because of an increased market for fresh broccoli, even on the East Coast, where 85 percent of Watsonville Canning's pack is shipped.

According to one broccoli grower, Albert Pieri, general manager of

California Artichoke in Castroville, demand for fresh broccoli has risen "quite a bit" in the past several years.

And, said Verduzco, at the same time consumption was dropping, processors outside California began packing and shipping.

If the industry was in so much trouble, why would new companies be entering the business?

Because, said Verduzco, they saw high wages and high prices in California. They decided there were profits to be made, and companies sprang up in Texas, Tennessee, the northwestern U.S. and in Mexico, Ecuador and Costa Rica. The Texas producers, located near the Mexican border in the Rio Grande Valley, pay minimum wages to assembly line workers. In foreign countries, workers are paid as little as 50-cents a day.

Few plants outside California are unionized, Verduzco said.

According to Verduzco, 350 million pounds of frozen broccoli will be produced outside of California this year. Of that amount, Texas will account for 100 million pounds; Mexico, 75 million; other Latin American countries, 90 million; and the rest of the U.S., 85 million pounds.

Verduzco said that leaves about 32 million pounds for California producers to fight over.

It isn't much of a fight. "The industry leaders," Verduzco said, "are very myopic. They have tunnel vision. How can you compete with someone paying minimum wages and no benefits and with lower raw product costs?"

Pajaro Valley processors years ago formed an organization — Watsonville Frozen Food Employers Association — to negotiate union contracts. Watsonville Canning bolted that organization in 1982 and

negotiated its own contract, which among other things, paid \$6.66 to assembly-line workers who were getting \$7.06 an hour at the other plants.

Verduzco vigorously defended the 1982 contract and denied it had precipitated the current strike.

"We're getting criticized for the 1982 contract," Verduzco said, "when that was negotiated in good faith with Local 912. I spent a good month (in 1982) talking to our employees, telling them they would actually make more money because the company would be producing for 12 months. They voted for it. The union leaders didn't recommend it. I have no reason to be criticized for that."

Verduzco had little sympathy for the association of producers, saying of the other companies' higher wage package, "It's their own fault. We negotiated our own contract regardless of where the association was."

When contract negotiations began this year, the other producers asked for parity with Watsonville Canning. Verduzco called the parity concept "ridiculous" and said what the other companies should really be concerned about is outside competition.

After the strike began, the association settled on a one-year wage freeze, keeping assembly-line employees at \$7.06 an hour.

But even paying \$6.66 an hour for assembly-line work was not solving his company's financial problems, Verduzco said, and thus came this year's severe wage-cut proposals. Verduzco said the union had begun its negotiating with a proposal for a wage increase of 10 percent over three years, to bring Watsonville Canning into parity with the other area plants.

The company offered to open its books to rank-and-file union mem-

bers, Verduzco said, but the union refused to look until a federal mediator helped put together an agreement for an audit several weeks ago. Attorneys for both sides are still working out details of that audit.

Verduzco said Watsonville Canning had proposed adjusting individual workers' pay according to the kind of work they were actually doing. For instance, assembly-line supervisors would be paid lower wages instead of supervisors' wages when they were working on the assembly line.

He said that the proposal did not extend as far as skilled workers, such as mechanics, who, he said, are laid off during slack producing periods, rather than being shifted to the line.

"We just can't produce vegetables at a competitive cost by paying line workers higher-bracket wages," Verduzco said. He added that such a bracket reduction would only occur a few times a year and even then workers would have a choice whether to accept it or not.

But, Verduzco was reminded, the company had cut back what line workers were making. "True," he replied, "but it's what we can afford to pay them." Verduzco said that because Watsonville Canning packs all year long, employees make more

than at other, more seasonal, plants even with the wage cuts.

"The other companies are in big trouble," he said. "Watsonville Canning is in trouble." He cited the J.J. Crosetti Co. and Patterson and Oxnard Frozen Food companies as having major financial difficulties and added, "if Watsonville Canning and Shaw wanted to crush Crosetti, we could. They're smaller. But there's no need to do that." He said the other companies probably will have major labor problems when the new contract negotiations begin next June.

Watsonville Canning has been accused of union busting, of trying to force the union out by making ridiculously low contract offers and then not budging from its stance. One union official has charged that at plants where minimum wages are paid, productivity and quality are correspondingly lower.

Wrong, Verduzco replied. "Our employees are spoiled. Those people (at plants outside California) want a job. They stand in line for those jobs."

He said 60 percent of Watsonville Canning's (striking) employees "are good, hard-working people. Thirty to 40 percent are not worth a damn ... and our good employees know that." But, he said, because of union con-

tracts, the company is prevented from forcing people to work harder.

He also poo-hoohed charges that Texas has a shorter, more weather-variable growing season by saying there are now varieties of vegetables that can withstand weather extremes. As for the theory that produce from other states is inferior to California's, Verduzco said that is true, but that buyers will buy inferior vegetables anyway if the price is low enough.

VERDUZCO SAID, "The rank-and-file are on strike for the wrong reasons. They don't have the facts."

He said the strike had turned into

a "cause — and you can't eat a cause." He pointed out that \$5.05 an hour is almost \$41 a day and that with overtime, assembly-line employees could expect to make between \$12,000 and \$18,000 a year.

"I bet of our 900 people with seniority on strike, we'd have 500 come back to work tomorrow if they had not been physically or verbally threatened by the union," Verduzco claimed.

He saved some of his heaviest criticism for Local 912, especially for retiring secretary-treasurer, Richard King.

"I sure as hell don't see union leaders' salaries being cut. The union leaders have never rolled their sleeves up and investigated the economic facts," Verduzco said.

He said union leaders had torpedoed the company's final offer of \$5.05 an hour for assembly-line employees — up from the initial offer of \$4.75 — by describing it as "garbage" when it came up for a union vote on Oct. 18. The offer was rejected by a vote of 800-1.

King, who had friendly relationships with most industry owners in his 33-year career, was described as having done a "horrible job" by Verduzco, who said the union leader had come to Watsonville Canning only one time in the past eight years to visit workers at the area's largest employer.

Verduzco lumped King in with industry management, saying none of them had anticipated 12-month production or the rise of outside competition.

He was only a little kinder when asked about Sergio Lopez, who is running unopposed for King's post in the ongoing union election. "Serge is a bright guy — but whether he'll be able to take the facts to the rank-and-file without being totally raped by them, I don't know.

"Does he have the strength of constitution to do that?"

Verduzco said he never thought the strike would last as long as it has. His real shock, though, has been over the violence that has occurred.

He described property damage from rocks and firebombs to workers and to company officials and said the violence has recently spread to the fields, where growers' equipment is being vandalized.

"We know they're going to try and make it difficult for our growers to bring produce in for processing," Verduzco said, adding, "We will use the court system to prosecute everybody to the full extent." Watsonville Canning has filed two contempt of court proceedings against the union and accused 14 workers of committing acts prohibited by court injunctions.

"I'm surprised someone is not dead with the level of violence," Verduzco said. "Company manage-

ment can do very little to protect itself, but union strikers or radical sympathizers can break windows or torch homes and there's nothing we can do about it — except use the court system.

"That (the contempt proceedings) got their attention, but now the violence has begun again."

Security measures instituted by the company are costly, he admitted, but "you have to absorb it."

Verduzco again stressed Watsonville Canning's precarious financial position. He said the industry as a whole in California had at best realized bottom-line profits of around 3 percent, compared to the 10 percent generally held to be the norm for healthy companies.

In addition, he said that Watsonville Canning executives, including himself, do not have a pension plan, profit-sharing or receive bonuses, "the things union employees have, because we can't afford it."

If the situation is so bad, then why stay in business? Why doesn't the company just fold and invest its money in something more profitable?

"That's a good question," Verduzco responded. He said the company is solely owned by Mort Console, and was founded by Console's late father. "He's not going to sell it," Verduzco said, maintaining that decision is "more personal than anything else."

Why, then, doesn't Watsonville Canning pick up and move to Texas, where, according to Verduzco, there is money to be made?

"It takes money to close a plant, money we don't have," he replied. "If we had the money, I'd think about it."

Does that mean his company rules out a move?

"I didn't say we weren't going there," Verduzco replied with a smile, "just that we wouldn't move the plant." He has traveled to every state that produces frozen vegetables over the past four years and was in Texas as recently as three weeks ago.

Texas, however, is not where the strike is, and Verduzco said he is fully aware of the human cost to be counted in Watsonville.

And while he vows Watsonville Canning will never take back workers involved in violence, he said he had a message for all the other strikers, living on \$55-a-week union benefit checks "minus their union dues."

It was this: "Go back to work. You don't have to belong to the union. Even if the union threatens you with a fine, you can go to work."

He would take them all back?

"Sure," Verduzco replied, "absolutely."