

# Growers negative toward proposal by Watsonville Canning

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A plan by Watsonville Canning and Frozen Food Co. to offer shares of ownership to growers as payment of debts and to guarantee future supplies of produce is getting a negative response from the grower community.

The plan is shaping up as the most likely alternative being offered by the company to satisfy concerns of the Marketing Enforcement Division of the state Department of Food and Agriculture. The division is investigating the company's financial condition.

George Reese, chief of the marketing enforcement division, said today he remains "optimistic" that the company's debt to growers can be satisfied, but he said the final decision rests with the growers.

"We are only interested in protecting the producer; it's up to them if they want to accept the plan. The company must satisfy the growers, or else we'll go in and conduct a full scale audit," Reese said.

The growers, or at least their representatives, were not as optimistic as Reese.

Growers who are directly involved with Watsonville Can-

ning have been hesitant to acknowledge the fact that they are owed money, or to comment on the plan. But others in the industry who represent the collective interests of growers are

advising against acceptance of the ownership option.

"It wouldn't be a very prudent business decision," said Malcolm Simpson, an account executive with Western Growers Association in Salinas.

"Why would anyone want a piece of a company that is \$10 million in debt to its suppliers?" Simpson said. "There is no reassurance that the company can repay past debts or meet future debt. There is really no value in what the company is offering."

Simpson said his grower-shipper organization is working with Watsonville Canning suppliers to help them find new homes for their products.

He said one problem that has held growers back is that they are bound in delivery contracts with Watsonville Canning. He said another drawback to rejecting the potential offer is that "sadly, growers do not have a lot of other outlets for their products."

"But I'm not so sure that growers have really started to look for other markets," he said. Although Watsonville processors may be full, Simpson said he thinks there are possible markets in Salinas, Modesto and Patterson.

Simpson observed that the growers' reluctance to take action against the company has changed since Bonita Packing, a Santa Maria company, filed a complaint against the company last week.

"Bonita was the key," said Simpson. "They finally put their foot down and it is having a domino effect."

Jim Bogart, an attorney with Grower Shipper Vegetable Association in Salinas, said ownership in Watsonville Can-

ning would be more of a "nuisance" than a benefit to his clients.

Watsonville Canning officials were unavailable for comment this morning.

State enforcement official Reese said this morning that the ownership plan was presented verbally to his division by company attorneys and that he is now waiting for a written confirmation of the scheme.

He said he is also waiting for a detailed time frame within which the company will have to

provide proof that the plan is acceptable to growers.

"I'm not going to set a 24-hour deadline; we will be somewhat flexible, but we must have proof that they are working to execute the plan," he said. Reese was hesitant to speculate on what the ownership-share offer might mean, or what other alternatives might be. He said the offer to satisfy debts by offering parts of the company could mean there is only a temporary cash-flow problem, or could be an indication that Watsonville Canning is without secure financial backing.

REFERENCE

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