

Frozen out?

Watsonville seeks its place in a changing food industry market

By TRACY L. BARNETT
Sentinel staff writer

THE ITEMS in the American grocery sack are changing, and Watsonville, with its historic emphasis on the farm-to-factory connection, is finding its fortunes drifting to the bottom of the bag.

In a city once known as the frozen-food capital of the world, once-bustling processing plants have become cavernous warehouses employing just a fraction of their former work forces. The number of people employed in the relatively well-paid frozen vegetable processing industry has dropped from 3,500 at the peak of the packing season in the early 1980s to about 1,500 now.

This week's closing of the former Norcal-Crosetti plant could slash that number again by almost half.

The decline of the city's food industry is at the center of a spiraling debate about a changing economy, about growth and development, unemployment and agriculture. In anti-growth Santa Cruz County, a rapidly growing Watsonville scrambles to provide jobs and housing for its people, hemmed in by the the same farmland that provides its economic base. Unemployment in this quiet city peaks at 24 percent in the wintertime, and increasing numbers of young people forced to leave school to support families have few jobs to choose from.

Even without the decline of the frozen food industry, more jobs are needed; Watsonville's population grew by 35 percent over the past 15 years.

At loggerheads are at least two camps: those who want Watsonville to retain its rural, agricultural flavor and not go the way of suburban sprawl and a low-wage, retail economy; and those who say Watsonville's high unemployment rate doesn't allow it the luxury of waiting around to choose the perfect employer.

NC Foods, formerly known as Norcal-Crosetti, closes its doors this week. Production has stopped; workers have dismantled the vegetable processing equipment and hauled it away. Rumor has it the equipment is being shipped to Mexico, but officials of Dean Foods, the company that bought the plant last August and announced its closing three months later, are keeping mum.

Besides sending at least 500 workers to the unemployment rolls, the closing of the plant heralds the end of an era. Formerly the site of Watsonville Canning and Frozen Food Co., the plant was the site of one of the largest strikes in recent history in 1985-87. Once considered a shining symbol of victory for the labor movement, the plant faces an uncertain future.

Workers and city officials alike are anxiously awaiting news from Cascade Frozen Foods, the non-union company which signed a letter of intent last month to buy the plant from Dean Foods. Cascade wants to use the cold storage part of the facility for its own operations if it can find tenants to lease out the production area. Cascade would only hire up to 30 people for its cold storage warehouse, but company president David Gross hinted that chances were good a processor would come in and lease the remaining space and hire many of Norcal's displaced workers.

Contacted last Thursday, Gross said negotiations with prospective tenants are continuing.



Dan Coyro/Sentinel file

Workers at the Norcal-Crosetti plant in Watsonville learn in November of a change in ownership.



Ron Cockerill/Sentinel file

Jesse Jackson leads a march in Watsonville in 1986.

"We're moving full-steam ahead," said Gross, who was planning a visit to Watsonville this week. "If everything works out according to our plans, we'll have a mix of fruit, seafood and vegetables processed onsite."

Those charged with keeping the city running are trying to maintain a positive outlook. Watsonville has weathered worse than this and still come out on top, said City Manager Steve Salomon. "It's a resilient community that's come through an awful lot, and it just keeps coming back."

Roots of the crisis

THE CURRENT crisis should come as no surprise to city and county officials. It was predicted five years ago in a 140-page study commissioned by the county Human Resource Agency, titled "The Frozen Food Processing Industry in South Santa Cruz County."

The subsequent drastic decline
Please see FROZEN — A6

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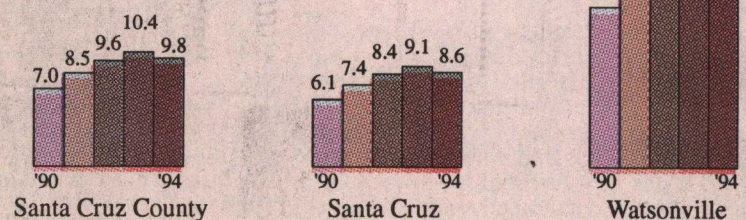
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FROZEN OUT?

Employment in the frozen food industry in Santa Cruz County

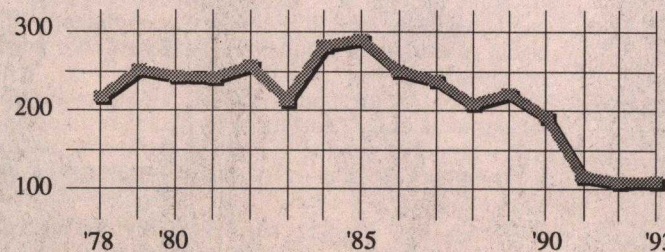


Average annual unemployment rates from '90-'94

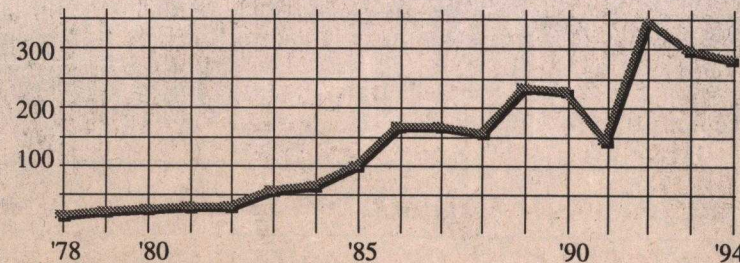


Frozen broccoli imports vs. domestic

California imports



Mexican imports



Source: USDA, State EDD, Food Institute News

Chris Carothers/Sentinel

Frozen out: What went wrong in the food processing industry

Workers wonder where jobs will be

By TRACY L. BARNETT
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ESPERANZA Contreras fits the profile of the typical Norcal-Crosetti worker. Now in her 20th year at the plant, she has no other job skills. She speaks only Spanish, and her family relies on her seasonal salary at the plant to make the \$650 monthly house payment.

She shares her home with her husband, who works in the fields, and a daughter who works at a food store in Capitola. She also helps with expenses for her nieces and nephews, whose parents are in more difficult financial straits than she is.

"With God's will, I'll find something else to do," she said. "I worry more about my companeros who have small children, especially those where the husband and wife both work at the plant. It will be a true hardship for them."

Contreras voices the widespread belief of many workers that Dean Foods bought the Norcal plant simply to eliminate the competition.

"I was shocked at the selfishness of the patron," she said, "to buy that plant only to close it."

Dean Foods officials have not returned repeated phone calls over the past week.

Workers such as Contreras will be hard pressed to find situations

Lopez represents workers in talks

By TRACY L. BARNETT
Sentinel staff writer

WATSONVILLE — Sergio Lopez of Teamsters Union Local 912 will represent NC Foods workers Monday in talks with company officials regarding the terms of the plant shutdown later this week.

Lopez was "reluctant to discuss the details of the negotiations with the media," but sources said the laid-off workers have several requests for the parent company, Dean Foods:

- Hiring former NC Foods workers in the upcoming expansion of Dean Foods' Harvest Drive plant. An estimated 100 to 150 workers, mostly seasonal production workers, will be hired for

the expansion.

- Allowing the hired workers to retain their current seniority, rather than being brought on as new employees, and giving them medical and other benefits immediately.

- Severance pay for the workers not hired by Dean Foods.

The private negotiations are tentatively scheduled to be held at the Chamber of Commerce Building, 444 Main St., at 1:30 p.m.

"The company's statements to the press since the announcement have been replete with signs of good will and good intentions," said Lopez. "We're hoping for the best."

comparable to those in the food-packing business, where wages for line workers average between \$6 and \$8 an hour and benefits are good. Families who have built lower middle-class lives on the salaries they earn at the plants will be forced to scale back dramatically.

The workers' marketable skills outside the industry are few. According to a county survey of 366 Norcal workers taken in December, only about 20 percent can fluently speak and write in English; 75 percent were educated in Mexico; and almost 10 percent had had no schooling at all.

"These are people who have se-

vere barriers to employment," said Greg Irish, director of the county's Careerworks job training program. "They could do another job that may require the same kind of manual dexterity. But it's a pretty tough job market at the moment."

The dilemma of Contreras and her companions haunts Sergio Lopez, secretary-treasurer of the Teamsters Local 912. Ten years after his ascent to union leadership on the shoulders of Watsonville Canning strikers, his voice is edged with weariness and frustration when he discusses the prospects.

"It's what I ponder every night

as I go to sleep — and I know I'm not the only one in this city who is thinking about this from every possible direction," Lopez said. "These people are hard-working, they're the salt of the Earth. They're guilty of nothing except being in the frozen food industry. What, if anything, can we bring to town to employ these people?"

Workers will be offered an opportunity to retrain for other jobs, such as truck driver, clerk and receptionist positions, through the Careerworks program, funded by a grant from the federal Jobs Training and Partnership Act.

But interest in the retraining

program has been relatively low, according to program director Irish. Of the estimated 714 displaced workers, only 136 signed up as definitely interested in enrolling in a retraining program. Another 150 said they were possibly interested. Most were interested in getting help finding a new job immediately.

The problem, said Irish, is that most families are too economically squeezed to spare a member's income for the nine months most training programs require.

"I know that if I lost my job today, I probably wouldn't have the luxury to go sign up for a job retraining program," said Irish. "I'd be saying, I need to have a job right now."

That's particularly true for many Pajaro Valley families, dependent on low-wage farm labor or service industry jobs.

"There are jobs, sure; but who can live on them?" said Susan Sanford, a county employment and training specialist. "It takes three fulltime jobs to sustain a household these days."

In 1994, Green Giant/Pillsbury offered a grant of \$230,000 to help cover former workers' living expenses during their retraining; and in 1991, the federal government kicked in \$1.5 million for job retraining after Green Giant laid off a large group of employees. Dean Foods has made no such of-

fer, and government funds for retraining have dried up.

Ironically, most of the 146 Green Giant employees who underwent job retraining ended up back in the food processing business, Irish said.

The close-knit immigrant communities of Mexican, Croatian, Phillipino and Portuguese workers Sanford tried to place after the Green Giant closing posed a particular problem, she said. That point came home clearly for her when, after a great deal of negotiating, she was able to secure slots for about 30 food processors at a battery plant in Scotts Valley.

None of the laid-off workers took the jobs; many settled for minimum-wage positions in Watsonville rather than commute to Scotts Valley.

"There's a comfort factor involved," she said. "In some cultures there's more of a support system set up in families, and they're not comfortable going too far afield from that. They come from a place where people don't leave their villages; it's that village feeling."

"And just because we think they need to do this, that and the other doesn't mean that's what they can do with their lives," she said. "They're not afraid of working hard. That's not a consideration; it's the unfamiliarity of something different."

Frozen food industry

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in the value of the peso and the liberalized trade policies implemented under the North American Free Trade Agreement have only exacerbated what was already apparent at the time of the 1991 study: an influx of cheap Mexican crops such as broccoli, brussels sprouts and cauliflower had made major inroads into the once-dominant California market. Cheaper processing expenses south of the border compounded the problem, and companies began gradually shifting their operations.

In a 1993 fact-finding tour to the industrial region known as El Bajío, Teamsters local president Joe Fahey declared the region the new world capital of the frozen food industry.

"It doesn't necessarily have to do with NAFTA, but it has a lot to do with Mexico," said David Runsten, a UCLA economist based in Watsonville who has studied the food industry for a decade. He traces the roots of the crisis to as early as 1967, when Bird's Eye — now owned by Dean Foods — took advantage of cheap Mexican wages and lax environmental laws to build the first U.S.-connected processing plant in Mexico. The 1983 peso crash opened the doors to further U.S. corporate investment in the country, and Watsonville's Green Giant set up a plant in Irapuato — a city that soon took Watsonville's place as the industry stronghold.

"When you have plants all set up and ready to run, they can easily increase production in a matter of months to take advantage of situations like the recent peso devaluation," said Runsten.

California was once the country's leading producer and packer of broccoli. Today, according to the trade journal Food Institute Report, the nation packs half the amount of broccoli it did 10 years ago while the Mexican segment of the market has nearly doubled.

In 1985, according to Teamsters union figures, there were six frozen food plants in Mexico. Today, there are more than 30, including Dean Foods.

Even the federal government, usually loath to acknowledge the ill effects of NAFTA and other free-trade initiatives, has designated Watsonville an area hard-hit by job flight through its inclusion in several programs: a \$1.5 million trade readjustment act grant in 1991 for job training of displaced Green Giant workers; its designation as a Rural Enterprise Community, pledging a \$300,000-per-year grant for ten years toward jobs and recreation for youth; and finally, its eligibility for the North American Development Bank program, which was passed on the coattails of NAFTA to bail out the communities like Watsonville that lost out on the deal.

Salad days in Salinas

BUT THE problem goes beyond foreign competition. Part of the problem comes from a shift in consumer tastes. As diet-conscious Americans increasingly turn from the saucepan to the salad bowl, the fastest-growing sector in the industry is fresh-cut, pre-packed lettuce mixes and other raw vegetables. And that growth is not occurring in Watsonville, but further south in Salinas.

"We've almost had a renaissance of the old packing shed industry," said Salinas' Assistant City Manager Jorge Rifa. During the past five years, companies like Dole and Fresh Express have hired hundreds of local workers at salad plants, some of which were converted from old frozen food processing plants.

So why Salinas and not Watsonville?

"In part it has to do with economies of scale, the very size of the Salinas Valley," said Rifa. Salinas Valley has some 200,000 acres under cultivation, compared to Pajaro Valley's 15,000. "We're working with a bigger field here," said Rifa, "and we've developed a certain infrastructure to deal with it. We've got the bankers, the accountants, the guys who fix forklifts, the guys who repair diesel trucks — there's a critical mass of all of that here."

Everyone, from union leaders to economic planners to community activists, wants to see a salad plant come to Watsonville. But even as strategies for attracting such a company were being discussed, one of Watsonville's own up-and-coming salad processing companies picked up and left town, taking its 50-member work force with it. The company has hired eight more workers in San Benito County, and plans to hire more when it officially finishes the move next month.

Myra and Drew Goodman, the first growers to start marketing the organic specialty lettuce mixes that are taking the nation's kitchens by storm, found that the Watsonville site for their business, Earthbound Farms, no longer had enough room. Their busi-

ness was doubling in size each year, and they hadn't anticipated the tremendous demand for their product.

The couple recently bought out another Watsonville-area organic salad company, Riverside Farms, and merged it with their own. It came time to enlarge their facility, so they applied for the necessary permits through the Santa Cruz County Board of Supervisors.

They got caught up in a long and drawn-out battle with neighbors who didn't want the business in their neighborhood. Eventually, they decided to move to San Juan Bautista, where Riverside Farms had part of its holdings.

Officials in San Benito County bent over backwards to accommodate them, Myra Goodman said.

"Santa Cruz County's attitude is more to listen to the concerns of the residents, beyond the interest in keeping a business local," said Goodman. "In San Juan Bautista, the county officials welcomed us here with open arms and said, 'It's so great you guys are here; we have a high unemployment rate here, and having your business here will really help. We want to make you feel at home.'"

Which way Watsonville?

SUCH STORIES have Watsonville city officials pulling out their hair as they try to juggle the prevailing anti-growth sentiment with the need for jobs.

As the title of a recent public forum suggested, Watsonville is at a crossroads. Public officials and business leaders argue the city must expand its boundaries

to allow for the kind of space a major employer would need. City Manager Steve Salomon points to the loss of local employers such as the Marich Candy Co. and West Marine Inc., which moved its warehouse to Hollister because of a lack of available and affordable land here.

"There are companies that have approached us about locating here, and there are companies in the city now that are going to need to expand," said Salomon. "We don't have places for them to look."

City officials are also pushing the development of a major shopping center on the city's west side, which would pour desperately needed sales tax revenues into city coffers.

Such a center could attract shoppers from outside the city limits, they say, while providing entry-level jobs for the area's unemployed.

"You have to do what is real and what will work and what will work in your community," said Salomon. "It's nice to say we should have full-time, high-paying jobs, but does that line up with the educational levels in the community?"

But critics of the city's annexation drive say the "suburbanization" of Watsonville will strip it of its character and agricultural heritage. The city should be aggressively going after agriculture-based specialty markets, argues the Teamsters' Fahey, one of the biggest critics of annexation and retail development. It should be developing its infrastructure and

improving roads to make it easier for trucks to get around the city, he says. And it should be working harder to place employers in the underutilized land within the city limits, he argues.

"Part of the reason people come to Watsonville is its agricultural heritage; that's more desirable to a lot of people than another freeway on-ramp occupied by strip malls and Jack in the Box," said Fahey. "Where we're aiming toward is flipping burgers for people on their way in and out of town, and that's not where the jobs future lies."

Nearly all the development currently being debated is on the north and west end of town, facing Santa Cruz — a community that's never shown much interest in the Pajaro Valley, he argues.

"Our historical connection is really with Salinas," he said. "There's been very little interest in developing and enhancing more trade with Salinas."

Fahey and others say it's too soon to write off the food industry for Watsonville, which could build on what infrastructure it already has to draw in business in "niche markets" like organics, prepared vegetable mixes and gourmet desserts.

"Saying food processing is dead is like saying agriculture is dead," said Fahey. "Food processing isn't really dead. It's just changing, and we have to figure out what the changes are, and how local government can help food processors and agriculture in this area adapt to a changing economy."