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Green Giant executive explains layoff decision

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The man responsible for recommending the layoffs of 370 people at the Pillsbury-Green Giant plant in Watsonville said today that he has lost sleep over it.

"I'm responsible for making recommendations to improve customer service, improve product quality, and maintain a competitive edge," said Michael Schaeffer, Pillsbury's vice president in charge of frozen operations for the Green Giant Group.

"Some of those tough decisions do impact people's lives, and I know they're tough. On the other hand, I do feel we're dealing very compassionately with our employees."

Schaeffer, who works in the Green Giant headquarters in Minneapolis, Minn., said he came to Watsonville to correct misunderstandings about the reasons behind the layoffs.

Grand Metropolitan of London bought Pillsbury in January 1989. It agreed to the restructuring that Schaeffer and other Pillsbury executives recommended to the tune of $140 million. That is three to four times the investment ever made in Pillsbury before, he said.

The main goal of the restructuring is to cut down on distribution costs, Schaeffer said.

Watsonville's plant, with a $3.4 million upgrade and 150 full-time workers, will package mixed vegetables and process and package spinach and Brussels sprouts for the 10 percent of Green Giant consumers who live on the West Coast.

A brand new plant to be built in Wellston, Ohio, will package vegetables for the 70 percent of the customers who live on the East Coast, and jobs will be created there, he said.

And more vegetables will be processed and frozen in an expanded Green Giant plant in Irapuato, Mexico, closer to where they are now grown.

Accusations that the company is moving much of its operation to Mexico to exploit workers there are not true, Schaeffer said.

Green Giant pays workers at its Mexico plant $1 an hour plus benefits, he said. That makes it an industry leader relative to other companies operating in the area, he said.

"I would be dishonest if I said we won't experience a savings in wages," he said. "But in vegetable processing, less than 15 percent of our costs are wage-related. Wages are a small factor (in the decision,) not a determining factor, and not even among the top three determining factors."

Working conditions and plant hygiene in Irapuato are held to the same standards that all of the company's plants are, he said, whether they're in the United States, Europe or Mexico.

Schaeffer said that the company strictly regulates the pesticide use of the Mexican farmers with which it contracts, storing the pesticides in its own warehouse, supervising the farms with Green Giant agricultural managers, and testing random samples of crops.

In the fiscal year ending Sept. 30, 1989, Grand Met turned a pretax profit of $1.18 billion, or about 7.9 percent of revenues. The Wall Street Journal reported on May 17 that Grand Met's earnings for the first half of the fiscal year had increased 39 percent over earnings for the same period last year. The jump was largely attributed to the company's earnings from Pillsbury and Burger King.

In Watsonville, the report has been the basis for many accusations of corporate greed, with people contending that Grand Met is scaling down highly profitable plants and disrupting many lives in hopes of making even more profits.

Schaeffer responded that the profits will be plowed back into the company in the form of capital improvements and advertising.

"I don't think it's a question of greed, I think it's a question of competition," he said. "The consumers will make the decision every day."

Moreover, he added, the company does have to earn profits for its shareholders. "The reason Pillsbury was bought was that the shareholders of the company decided it wasn't performing and that they wanted another management team to run Pillsbury," he said.