POLICY IMPLICATIONS OF THE RESTRUCTURING OF FROZEN FOOD PRODUCTION IN NORTH AMERICA AND ITS IMPACT ON WATSONVILLE, CALIFORNIA
(Submitted to the Latina/Latino Policy Research Program)

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Working Paper No. 28
Chicano/Latino Research Center

July 1999

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Thanks to the California Policy Seminar, The University of California Consortium on Mexico and the United States (UC MEXUS), and the Chicano/Latino Research Center, University of California, Santa Cruz, which provided support for this research.
Research Questions

The project aims to understand the processes that link two regions—the Pajaro Valley in the north central coast in California and el Bajío, an agricultural valley in Central Mexico—through the migration of food processing capital from one site to the other, and the effects on the local communities of Watsonville and Irapuato. The research questions include the following: 1) How is the decline and out migration of food processing in the Pajaro Valley related to the growth of food processing in el Bajío? 2) How do these processes affect the communities of Watsonville and Irapuato and their immediate surroundings, including the daily lives of the workers in the food processing sector?

We argue that North American integration, somewhat accelerated by the passage of NAFTA, has been underway for some time. The frozen vegetable processing sector has experienced the out migration of highly mobile transnational capital from Watsonville, California into Irapuato (and throughout the Bajío) in Guanajuato. Over the last fifteen years the resulting impact on the economic and social conditions in the two communities and regions provides a study in extreme contrasts i.e., massive unemployment and restructuring in the "abandoned" community and destabilizing production and environmental impacts in the newly structured "frontier" community. Despite the promise of NAFTA, and the differences suggested by being a "loser" or "winner" in the global game of attracting capital, our study suggests that the two communities on different sides of the border share one condition—an increase of poverty. The social problems faced by
Watsonville and the Pajaro Valley are similar to other communities dependent on an agriculturally-based economy, which have experienced large influxes of Mexican workers in the wake of economic crises in Mexico.

Our analysis of restructuring and its impact on two communities in North America will be situated on the larger canvass of social transformation within global capitalism, where rural agricultural and industrial systems of production in the two locations experience the "inner contradictions of capitalism . . . expressed through the relentless formations and re-formation of geographical landscapes" (Harvey, 1985: 150, from Goodman & Watts, 1994). We explored the global, national, and local dynamics of food processing and the production of fresh fruits and vegetables and their relationship to community and regional development. In addition, from our analysis of the impact of these processes on communities and on the daily life of workers, we discuss how communities in the two locations react to and develop strategies to transform their situation. How do they become subjects and participants in the process of social change?

The purposes of this report will be to focus on the policy implication of our overall analysis for the State of California, the Pajaro Valley and Watsonville. Our focus on Watsonville deepens our understanding of the depth and extent of the local impacts of essentially global processes.

Methodology

The heart of our research was ethnographic. We did participant observation, touring the barrios or villages where workers live, taking tours of food processing
plants, and spending time with growers in the countryside in Watsonville and el Bajío in the four trips we made to Mexico. We also conducted 127 ethnographic interviews in the Pajaro Valley and el Bajío. These included managers, growers, or technical staff for food processing, labor organizers or unions officials, elected officials and heads of governmental agencies, and professionals in social service agencies and community-based organizations who assist workers, farm workers, and with 44 current or former food processing workers.¹

I. THE FROZEN FOOD INDUSTRY

To comprehend the gravity of the crisis, transition and readjustment within the community of Watsonville and the Pajaro Valley, it is important to understand the importance of the frozen vegetable processing industry within the California economy, and the economy of Watsonville before the out migration of food processing capital occurred. The Pajaro Valley has been undergoing constant change since its founding in the 19th century, when wheat, sugar beets, and apples were the dominant crops. The social changes related to economic-based shift to fruits and vegetables for freezing, and the current shift into strawberries and specialty row crops and flowers are part of the Valley's ongoing restructuring and dynamism.

The frozen fruits and vegetables industry was concentrated in California and the Pacific northwest. California alone generated one-third of the value of shipments of frozen fruits and vegetables—frozen broccoli, cauliflower, spinach, asparagus and strawberries (excluding juices)—in 1982. Production of these cool-weather products are concentrated in the Pajaro valley (and Salinas valley) because
these regions have among the world's best climate and soil conditions for the production of these agricultural commodities. In 1985, employment in California frozen fruits and vegetables industry stood at approximately 11,500. The Teamsters union represented over 90 percent of these workers (Segal, 1988: 120).

**Sectoral Restructuring: Food processing in North America**

In 1967, Birdseye (part of General Foods U.S.) built a plant in Celaya, Guanajuato, Mexico. This region, el Bajío, is an irrigated agricultural valley which had been farmed since the Spaniards arrived in Mexico, and now has a major highway that allows access to US and Canadian markets. Other U.S. companies (including Del Monte and Campbell Soup) had already moved production to el Bajío during the 1950s to build plants for canned goods to sell in the Mexican market. Mexico had passed laws establishing import substitution industrialization in an attempt to attract foreign firms to come to Mexico to produce for the national market. This allowed the U.S. companies to avoid the tariffs on their imports. El Bajío is a very good region for growing fruits and vegetables. Irapuato is in a major strawberry-producing region (Feder, 1967; Runsten, 1988; Bivings and Runsten, 1992). Following the rise of California agriculture and food processing labor costs associated with the end of the Bracero program in 1965, U.S. frozen vegetable packers began building or leasing Mexican frozen vegetable plants in 1967. Birdseye and other firms either built plants or converted some strawberry freezing plants so they could freeze vegetables (Feder, 1975).
The devaluation of the peso in 1976, the first significant one in 30 years, made the Mexican plants more competitive. Another huge devaluation in Mexico occurred in 1982. Those who were in processing and exporting vegetables to the U.S. became wealthy overnight, and thus this sector became very attractive.

Green Giant had a plant in Watsonville, California but decided that they had better be part of this movement or they were going to lose their market share. They remodeled an existing plant in Irapuato in 1983. It took them ten years from the time they built the plant in Irapuato, until they closed the plant in Watsonville in 1993.

In 1986, Moulton and Runsten went to the Bajío and did a study for the California frozen food industry. "They hired us to do a paper that they could use to keep the exports out. Well we wrote a paper that told it like it was. It turned out that it had the opposite effect. The conclusion of our report was 'it doesn't look good for California'" (Runsten interview, January, 1996). The chief attraction of locating production facilities in Mexico was the lower costs of growing and harvesting broccoli. Farm and frozen food workers in Mexico were paid the equivalent of $3 per day in November 1987. The cost of the raw product, which represented nearly half the cost of Mexican frozen vegetable production, was as much as 70 percent lower than the corresponding U.S. cost not only because of cheaper farm labor, but cheaper land and cheaper capital as well (Moulton & Runsten, 1986).² The California food processors had dominated the U.S. market and they set high prices to cover the California costs. The producers from Mexico, with lower costs, made a lot of money during this period. When the buyers [brokers] realized how cheap it was to produce
in Mexico they started driving their price down. That is when the squeeze really hit the California food processors.

Frozen fruit and vegetable imports into the United States have grown at an explosive pace since 1980. The share of the frozen broccoli market made up of product packed in Mexico has grown from 4.2 percent in 1979 to 21.9 percent in 1986. During 1979-1986 California’s share of the frozen broccoli market dropped from 95.1 percent to 62.3 percent. The experience with frozen cauliflower has been similar (Segal, 1988: 128). The rise in the capacity of frozen food production in Mexico and the related decline within California can be seen in Chart 1.

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Approximately half the production generated within Mexico was sold under the brand name of U.S. firms. This figure is considerably higher than the 20 percent branded output of the U.S. frozen vegetable industry. The difference reflects the relatively greater domination of the Mexican frozen vegetable industry by U.S. transnational corporations, which concentrate on production for the branded market. This "branded" Mexican output is sold primarily under the Birdseye and Green Giant labels, but is also sold under the United Foods label (Segal, 1988: 122). Most of the "branded" Mexican production is produced in the U.S.- owned facilities. Mexican owned plants are geared toward production for the private label, institutional, and industrial markets. Thus far, Mexican frozen food manufacturers have not been able to establish their own distribution networks within the U.S.,
relying instead upon U.S. retailers, brokers, and processors to import and distribute
the product in the U.S. market (Segal, 1988: 131).

By 1986, firms increasingly began to contract this work out to Mexican-owned
packers, who can provide an equivalent or superior product at lower cost. The
overseas expansion fueled the growth of a Mexican-owned sector of the frozen
vegetable industry that was geared toward production for the private, institutional
and industrial markets, where they competed directly with California-based firms.
Because of the low labor costs, Mexican producers were consistently able to undersell
their U.S. competitors. For example in June 1986, U.S. frozen broccoli sold for 33
cents per pound, compared with 26 cents per pound for Mexican broccoli after
imposing a 17.5 percent import tariff (Moulton & Runsten, 1986). In short,
California-based firms had become more dependent on the private label, industrial
and institutional sectors of the frozen food market at the very time that a growing
number of low-cost Mexican owned firms have begun to compete in precisely the
same market area.

In 1986, two firms dropped out the frozen vegetable industry even after they
succeeded in decertifying the Teamsters Union and reducing wages to $5.30 an hour
at a time when the industry standard was $7.06. J. J. Crosetti closed its plant and
merged with NorCal (formerly Watsonville Canning) in early 1988 (Segal, 1988: 122),
which then closed down in 1996. We estimate that approximately 4,000 thousand
union jobs with benefits were lost through plant closures.3

In North America the overall tendency has been toward consolidation in the
industry as a whole with more joint ventures between formerly independent

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Mexican plants and U.S. firms. The rapid growth of the Mexican industry in combination with a recession in the United States, led to low prices and major restructuring. One result was the tendency toward mixing in the Midwest and Texas, which brought in intermediate products from many sources including Mexico and Central America. This reduced the role of the California plants, reducing them into a regional industry. Simultaneously, small scale regional processing increased in other areas of the United States, such as the Midwest and the Southeast (Runsten, 1998).

The remaining independent frozen vegetable firms in the United States, such as Patterson Frozen Foods and NorCal-Crosetti, were opposed to NAFTA because it would remove the 17.5 percent tariff on most frozen vegetables imported from Mexico over a period of 15 years. This would sound the death knell for the industry in California. The final restructuring of the industry in the United States had begun.

The frozen vegetable industry, formerly a major Watsonville employer, has been severely impacted by imports from Mexico. Green Giant was among the firms constructing plants in the Bajío, and this relocation of Green Giant production from Watsonville to Irapuato was widely cited by opponents of NAFTA during the trade debate as symbolic of the potential consequences of freer trade for blue-collar unionized sectors of the U.S. economy. As NAFTA was debated, two and a half frozen vegetable plants closed in Watsonville; since NAFTA's passage, an additional one and a half plants were closed.

Displaced food processing workers have participated in a retraining program, which included English as a Second Language (ESL), and was funded by private
(Green Giant), state and federal funds. Our review of the impact that retraining had on displaced workers and their subsequent labor market activities indicate that the ESL training, while helpful, did not raise their English proficiency to the degree which would allow workers to move into jobs where English is necessary. Further, the job training provided (mainly in construction for men, clerical for women) has not led to jobs in these fields.

Restructuring and Adjustment

When the frozen vegetable market within the United States began to be increasingly serviced by imports from Mexico during the late 1970s and early 1980s, California growers immediately shifted over to the more profitable fresh production. The impact of relocating production to Mexico by California processors of selected vegetables has been massive. In short, the vast majority of frozen production has been shifted to Mexico in order to service the markets that are primarily concentrated east of the Mississippi. The frozen food processing industry in California has been radically downsized through extensive plant closures between 1977-1996 (see Table 1; Segal, 1988; Runsten, 1998). Local employment in the frozen vegetable and fruit industry in Santa Cruz County has fallen steadily between 1979 and 1990 (Deloitte & Touche, 1991: 13) and it has continued to fall. All of the frozen food processing within the county of Santa Cruz was located in Watsonville, which is why it underwent a meltdown in the employment arena as the plants continued to shut down and merge between 1983 and 1996. When Green Giant closed its plant in Watsonville in early 1994 and consolidated production in
Irapuato, Mexico, it subcontracted out its production of broccoli as well as spinach and brussel sprouts. These crops are subcontracted in Watsonville to Del Mar Foods, which had largely been a fruit freezer. Green Giant moved some of its equipment into a new building at the Del Mar Foods site.

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The peso was still significantly overvalued throughout 1994 as it had been for several years; this made the Mexican product more expensive. At the end of 1994 the peso was devalued and allowed to float. It fell from 3.2 pesos per dollar to 7.5 pesos to the dollar at the time we were doing the first round of interviews in the Bajío. This huge devaluation of the peso was a greater reduction than if the entire 17.5 per cent tariff had been eliminated at once. The economic pressure sent NorCal- Crosetti into bankruptcy.

In 1988 Dean Foods had purchased the Richard Shaw plant, the last plant built in California. It had the most efficient engineering, and it made sense that this would be the surviving plant in the Central Coast region of California. Dean Foods bought Birdseye, the oldest but best located plant in the Bajío, shortly after NAFTA passed. Dean foods then bought NorCal-Crosetti plant in August of 1995. As NorCal-Crosetti went bankrupt, Dean Foods liquidated the debts and sold the plant to a cold storage firm. They admitted at the time that they didn't need two facilities in Watsonville; they had clearly bought the plant to shut it down (Runsten, 1998).
The plant closures in California and Oregon have been extensive, as we can see from Table 2. Few of these plants remain and even fewer have been converted into new industrial or commercial uses and locations of employment. Most are warehouses or not in use, and some efforts are underway to convert them into business/industrial parks and other types of businesses. One of the vacant plants in Watsonville has recently been converted into a fish processing plants, while others still remain vacant and underutilized. A recently completed inventory of the vacant and underutilized land within the city of Watsonville, which includes the industrial space left behind by these out migrating food processors, has recently been completed and will be used to explore alternative uses of these spaces. Effective infill planning could reduce the annexation pressures on the prime agricultural land driven by the City’s current expansion plans (Pajaro Valley Futures Project, 1998).

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Community Impact

The protracted 1991-94 Green Giant plant closure came after a series of catastrophes—the 1985-87 strike, the 1989 earthquake, the general downturn in the California economy over the last several years which began recover only recently, the closing of Fort Ord in 1994 and the continued restructuring of food processing in Watsonville (e.g., the closing of NorCal-Crossetti). These, in turn, have sent the local economy into a downward spiral. Watsonville has become a symbol of job
flight into Mexico after the passage of NAFTA (Fortune, July 12, 1993; Cockburn 1993).

By 1994, the jobless rate in Watsonville had approached 16 percent. The rate was twice that of Santa Cruz County and the state of California and almost three times that of the United States (Register Pajaronian, November 29, 1994). By February, 1995 there were articles appearing in the local newspaper about the rising rate of tuberculosis related to overcrowding conditions and increased poverty (Register Pajaronian, February 7, 1995). So many jobs had been lost to Mexico, Guatemala and other parts of Latin America that Watsonville was designated a Rural Enterprise Community by the U.S. Department of Agriculture in January of 1995. Only two other communities in California and 30 cities nationwide have been so designated. The designation brings with it a small grant of $300,000 each year for a decade in order to reinvigorate these economically depressed communities. The city of Watsonville was finally designated a California State Enterprise Zone in 1997. All of the commercial and industrial land within the city is included within the newly formed enterprise zone (City of Watsonville, 1996). It provides a series of tax incentives to existing and new industries and commercial entities to either continue to stay or to come into Watsonville. To date the State Enterprise Zone Program has issued 16.5 million dollars in tax credits to 82 Watsonville businesses, only 10 of which are to new businesses (Register Pajaronian, June 10, 1999, p. 7). The displaced food processing workers that we interviewed have had a difficult time qualifying for the loans. The program supported existing businesses rather than developing new business and new jobs, and has expended significant funds per new job. Further, the
risk is that the zones could further undercut the tax base of the community by giving away too much, which would lead to reduced social services (Leroy, 1994).

By January of 1996 the situation was being described as a "job meltdown in Watsonville," with 20 percent of the adults out of work, leaving families without incomes, shop owners without business, and the city without its historic tax base (San Jose Mercury News, January 1, 1996). The situation worsened when NorCal Crosetti Foods, Inc., closed in February, 1996, adding about 700 more people to the unemployment rolls. About half of these were rehired by Dean Foods and other employers such as the fish processing plants who were in part attracted by the abundant supply of the vacant food processing plants and unemployed pool of experienced food processing workers. Other plants such as Del Mar Foods benefited from the plant closings through the creation of an abundant, flexible and more docile supply of experienced workers with few options for retraining into other sectors of the economy (Bronfenbrenner, 1996). The earnings of many workers continued to decline after the four plant closures between 1994 and 1996. A family in which both the man and woman worked had generated a good pair of salaries in the 1970s and 1980s had become a family that was barely surviving economically in the late 1990s (interview, August, 1998). In many ways the earnings of this couple reflects what has happened to the workers within the restructured food processing sector in Watsonville over the last 15 years (See Chart 2).
A recent study (Runsten interview, 1999) estimates that about one third of the displaced workers have found jobs in other sectors, and overall their wages declined. Another third were able to find other jobs in the food-processing sector, and even though they may have lost seniority, benefits and/or their wages declined, they adjusted relatively well. The rest cannot be found and presumably migrated out of the area because of losing jobs in food processing.

The community also expects to benefit from a lending program, Community Adjustment & Investment Program that was set up under the North American Free Trade Agreement’s North American Development Bank (NADBANK). The purpose of this program is to spur job growth in cities, such as Watsonville, that have lost jobs to Mexico. Specifically it is a new type of institution designed for democratically based regional planning and international leveraging of public-private financing in response to the many communities requiring adjustment assistance because of NAFTA (Hinojosa-Ojeda, 1994: 30). In Watsonville, David Runsten the local representative of the NADBANK, had several meetings of representatives from agriculture, food processing, displaced workers, light manufacturing, the City of Watsonville, social service providers, environmentalists, other community leaders and activists as well as bankers and finance specialists during 1996. In 1998, $500,000 in funds were announced for stimulating economic development projects in the Watsonville area and the surrounding region. To date little if anything has materialized from these efforts by NADBANK. NADBANK chose California Coastal Rural Development Corporation (Cal Coastal), based in Salinas California, to act as financial intermediary. They will
provide direct loans to small businesses in the prescribed catchment area around Watsonville.

Some private capital is finding its way into Watsonville in the form of small projects in the downtown area. However the city’s efforts to attract 300 plus jobs via small employers over the last 5 years were wiped out with the recent closing of SCI Systems an electronics assembly plant (Pajaro Valley Futures Project, 1998; Register Pajaronian, January 28, 1999).

II. WATSONVILLE AND THE PAJARO VALLEY TODAY

In 1999, farmland in the Pajaro Valley around Watsonville rented for up to $2,000 an acre per year to grow strawberries. In between strawberry cycles vegetable growers grow lettuce then turn it back over to the strawberry growers. The lettuce is an interim crop and benefits from the methyl-bromide fumigation, which essentially sterilizes the soil. A very few major landowners (some have suggested as few as five) own the majority of land in the Pajaro Valley. They rent that land out to smaller growers who move in and out with the different crops (e.g., lettuce, strawberries, cover crops, etc.). The small growers may even sublet the land if permitted by the owner.

Watsonville has become an area of increasingly more intensive agriculture which requires more and more workers. Strawberries are the most labor-intensive crop grown in California (Wells, 1995). California produces 80 percent of the strawberries in the U.S and Watsonville produces about 50 percent of that amount, making it the major strawberry producing region in the United States (see Chart 3)
(Wells, 1995; Strawberry Commission, 1998; Schlosser, 1995). Strawberry production is valued at $91,779,000. In this industry, 85 percent of the Central Coast strawberries are sold by 250 growers who then work with 8 coolers under a very tight system of control from the nurseries to the coolers. This system utilizes about 11,000 acres and between 15,000 and 18,000 workers (Strawberry Commission, 1998). This is in stark contrast to harvesting apples, a crop where you just need a work force to come in the fall, harvest apples for a few weeks, and then move on. There are minimal crews for pruning, fertilizing, and maintenance of apples. The Pajaro Valley has year-round lettuce and strawberry production. They grow strawberries and harvest them for seven to eight months (Friedland, 1981; Wells, 1995; Strawberry Commission, 1998). These crops and their production cycle now require a much more permanent and settled labor force than previously. Watsonville has become the de facto housing and service center for the region's farm labor force.

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The composition of Watsonville's population has changed as local cropping patterns have shifted toward longer season strawberry, nursery, and vegetable crops. As a result, the Latino farmworkers who previously migrated from Mexico for seasonal employment have increasingly settled in town. Watsonville has become a housing center for farmworkers and the remaining food processing labor force. Such jobs in California are now held almost exclusively by Latino immigrants and their children, and Watsonville's population as a result is about 70-75 percent Latino.
The experience of farmworkers in the Pajaro Valley is similar to that of workers in other agricultural communities. The use of farm labor contractors has soared from less than 10 to more than 50 percent of the state's agricultural labor market between the mid-1960s and the mid-1990s. The growth of contractors and importance of agriculture has contributed to five major socio-economic problems: 1) an increase of rural poverty and income inequality; 2) a deterioration of working conditions within the agricultural sector with the growth of small undercapitalized farms; 3) recurrent influxes of new undocumented immigrants; 4) the decline of the once powerful farm labor movement; and 5) a "demonstration effect" of the profitable use of undocumented labor within the larger economy. These overall dynamics are also found in the Pajaro Valley and affect Watsonville's role as a farmworker service center.

Watsonville's social service agencies are taxed with inadequate funding and increased demand for services by low-income residents, while city planners and elected officials are involved in "place wars" and attempts to lure economic development based on large commercial "big box" retail outlets. These new retail outlets are not hiring displaced food processing workers who have limited education and English skills. Typically, new employees at these retail outlets are recent high school graduates receiving near minimum wage. In addition local businesses which are linked to food processing (e.g., welding or machine shops) are vulnerable, while those which provide services to a low-income clientele (e.g., auto transmission repair shops and grocery stores) are struggling to maintain their economic niche. For example, at the Overlook shopping Center the new large retail
outlet Target is a C-Volume store, employs 150 workers, 30 percent of which are full-time and 70 percent are part-time. 30 percent are 25 and younger, 50 percent are between 26 and 35 and 20 percent are over 36 years old. 70 percent live in Watsonville and 95 percent live in Santa Cruz County. There are three levels of employees: Level I are checkers, sales floor people or "zoners" people who straighten up the aisles at the end of a shift and generally clean up the store; Level II someone with a specialty, e.g., a representative of the Television department; and Level III an overseer, a floor manager or an assistant manager - called an "executive team leader"). Of these 2-3 percent receive full benefits, and an additional 22 percent receive partial benefits. Overall only about 25 percent of the employees receive benefits (Ferris, 1999). The wages of the bottom 75 percent of the workers are also without benefits and they are lower than the wages paid to the displaced frozen food workers which came with benefits.

The Struggle for Land Use and Water

The situation of high structural unemployment is being used by the city officials and real estate interests to push for the annexation of adjacent agricultural land. Additional land would be used to build factories and needed retail commercial outlets which would create the needed jobs. The counter argument generated by a coalition of Non Governmental Organizations (NGOs) within Watsonville and Pajaro Valley community is that the paving over of some of the richest farmland is a long-term disaster, and such industrial and commercial development would convert the town into another sprawling suburban community feeding into the Silicon Valley. They also argue that the development would not
necessarily provide jobs for displaced food processing workers. Instead, the jobs would go to workers from outside of the impacted community of Watsonville and the Pajaro Valley. The coalition argues that there is still the possibility of having a vibrant local economy based on farming and related agro-industries. They argue that farming and related industries together with the necessary light industrial, commercial and educational systems could yield a sustainable form of economic development with positive long-term results for the community of Watsonville and the surrounding Pajaro Valley. Some are going further by suggesting a "valley free from pesticides," in which the valley's rich soil and close proximity to the Monterey Bay Sanctuary would be the key components in a chemical free zone (Merrill, 1998). There have been an increasing number of serious discussions about the possibility of creating a new vision for farming in the Pajaro Valley. According to Sean Sweezey, Director of the Center for Agroecology, "the talent is here, the context is here - e.g., the land version of the Monterey Bay Sanctuary is here" (interview, January 21, 1998). The increasing shift toward organic production recorded by Mascarenas (1998) suggests that the shift would also lead to increased wages among agricultural workers in the Pajaro Valley.

The proposal by the real estate and developer interests, they argue, turns over the future of the community to outside interests which place short term profit maximization before the larger and longer term interests of community development and the protection of prime land for food production.
The struggle came to a head when the City Council approved a large-scale, regional retail center anchored by Target, a major discount store on Main Street close to Highway #1. (Other businesses will include Lucky, Staples, Longs, a series of fast food franchises, a gas station etc.) This development was tied up in litigation for a while but ultimately began construction, and Target opened in October, 1998. The rest of the regional commercial center is near completion. Existing small and medium scale business owners throughout the Watsonville, especially those within the downtown area, combined forces with several NGOs and filed a suit against the city because of the concerns over the probable negative impact of the new regional center on them (Borrego, 1996). The ultimate effects of this regional center on existing local retail outlets and the net job growth is being evaluated by a small impact study which is under way (Borrego, 1998).

Water, a key to the survival of agriculture in the Pajaro Valley, is going to be imported to stop sea water from seeping into and contaminating depleted coastal aquifers and wells (PVWMA, 1998). Efforts to import water from the Federal Central Valley Project at enormous cost were recently stopped by a strong coalition of ranchers and environmentalists in the June 1998 elections. The issue came up before the voters again in the November, 1998 elections with a major organizing effort by the United Farmworkers Union (UFW) who were concerned about the impact of overdrafts and salt water intrusion on the future of agricultural jobs in the valley. It is clearly a hot and contested issue in the Pajaro Valley. The annual recharge is about 50,000 acre feet; the needs are currently at about 69,000 acre feet per year and are projected to be 78,000 acre feet by the year 2040. The Pajaro Valley Water
Management Agency had planned to import 19,000 acre feet as soon as possible in order to stop the salt water intrusion and to increase this allotment to 28,000 acre feet by 2040. The agency argued that this water would be used for agriculture, but one of the concerns of many activists and environmentalists is that the water might actually be used to fuel rapid suburbanization in the Pajaro Valley as the city extends into the surrounding rich agricultural land (Bardacke, 1992). An acre-foot of water is 325,000 gallons or enough to supply a family of five at home and work with water for a year. This is enough water to support an increase of 28,000 people in the Pajaro Valley if the City of Watsonville, the real estate interests and the developers have their way. In June, 1998 the community stopped the plan to import water. Wherever the importation of water has happened in the past within California's Central Valley it has led to accelerated suburbanization (Walton, 1992). It is very easy to imagine this same fate for the Pajaro Valley if water is imported.

Strawberry Fields and the New Workforce

The Pajaro Valley produces 50 percent of California strawberries and 40 percent of all national production. (California produces about 80 percent of U.S. national production.) The area continues to be a center for the production of lettuce, and other fruits and vegetables as well. In the case of strawberry production the extensive use of methyl bromide to prepare the soil has created many conflicts both locally and within the state. The edge between the fields and housing is one area of struggle, as many schools are located in rural areas surrounded by agriculture. The
increased pressure to stop the use of pesticides runs into the economic weight of the strawberry industry within both the regional economy of the Central Coast and the overall economy of state of California.

The 10,446 acres of strawberry fields in the Pajaro Valley (and the Salinas Valley) employ between 15,000 to 18,000 workers. These workers have become the new low-paid labor force within the region which primarily resides in and around Watsonville. Two or three families must pool their resources in order to rent a home, buy food and clothe everyone. The new increased density is well understood by the garbage collectors, who see the increase of refuse generated by the overcrowded households, or is noticed by the street sweepers who cannot clean certain over-parked streets in Watsonville. The city is filled with older, abandoned cars, many of which are used for sleeping. The situation is so extreme that there was one case in Watsonville in which there are three shifts of 27 farm workers sleeping in a house so that it ultimately served 81 people (interview, 1998). It is not unusual for multiple families to combine in order to purchase a house.

After the initial passage of Proposition 13 in 1978 (where the assessed value could not increase by more than 5 percent annually), the next major problem for the City of Watsonville and other cities in the state of California was the passage of Propositions 62 and 218. These propositions make it impossible to pass any new taxes without a two-thirds majority vote. The final blow was the passage of ERAF (Education Relief Augmentation Fund) in 1992, which reallocated local property taxes from local jurisdictions to schools. ERAF reduced the Average Daily Attendance funds to schools; Watsonville lost $1,000,000 a year. The decline of
income and the increase of costs have forced Watsonville into a fiscal crisis and, in turn, forced it to chase retail outlets in order to raise tax revenues to meet its increasing social service costs (interview with Eric Frost, City Treasurer, 1999).

Latinization of Politics in Watsonville

Politics as usual in the community appears to have come to an end, beginning with *Gomez vs. the City of Watsonville*, which led to the development of district elections. This has led to a greater presence of Latino politicians, city council, mayors, etc. There is more representation by Latinos/Mexicanos on the City council, in large part because of the mobilizations that have occurred primarily after the earthquake in 1989 (Takash and Avila, 1989; Takash 1998). The November, 1998 elections increased the Latino presence on the City council. In June, 1998 a Latino (Anthony Campos) was elected to the Board of Supervisors of Santa Cruz County. However, the Latino elected officials have not necessarily been progressive; on the contrary most, given their backgrounds in real estate and insurance, have worked well with the conservative core of the existing power brokers within the community. As a former mayor once commented to an inquiring newspaper reporter about this person (new Supervisor) when he became the first Latino mayor of Watsonville, "Oh he's one of us, he's more Anglo than I am" (Osmer, interview, 1997). There is an increasing brown tone to the City Council, but the values are solidly conservative and pro-business.

There is more hope within the City Manager's office. There we find a bright, hardworking and well-educated technocrat who wants to confront the increasingly
complex and interrelated issues created by economic restructuring within the city and the valley. But to date the City Manager's hands are tied by overarching structures and processes such as Proposition 13, 62, etc. and the crushing impact of the out migration of food processing capital. The net effect is that the only solutions that have been generated are determined by "place wars," where cities feel they must annex valuable farmland in order to create retail outlets to increase the tax base.

Along with the retail outlets come the low paying jobs without benefits, which increases poverty, which in turn feeds the downward spiral for a significant sector of the population in Watsonville (interview with Carlos Palacios, City Manager, February 12, 1997).

Because of the increased "political power" of Latinos, there has been a minor redistribution of resources toward supporting social services, an increase of $30,000 to $300,000; this is about 1-2 percent of the budget of the City of Watsonville. The rest, fire, police, parks, etc., has remained intact. The real power still rests with the old landed elite in the community represented by the urban landlords (who number 285) and the large owners of land in the Pajaro Valley (perhaps as few as 5).

In many ways the city is becoming more polarized than before. On the one hand we have workers oriented toward the Silicon Valley and the University of California, the research facilities at Monterey and Moss Landing and the projects generated by the redevelopment of Fort Ord, California State University at Monterey. On the other, we have the 15,000-18,000 strawberry workers and the remaining 2,000 plus food processing employees who either live in Watsonville or
revolve around the city as their main service center. In short, Watsonville has become primarily a Mexican community and an increasingly polarized town.

**Non Governmental Organizations (NGOs)**

Another island of hope lies in the leadership of some of the Non Governmental Organizations (NGOs) in town, which head up agencies like Fenix, Adelante, Defensa de Mujeres, Salud Para la Gente, Si Se Puede, Pajaro Valley Housing, etc. These organizations often have Latino professionals as directors. They are attempting to address the dire situation created by economic restructuring. However, the simple fact is that casualties are being created at a faster rate than NGO budgets can absorb. Collectively they are presenting a good fight against poverty, broken families, drug addiction, domestic violence, gangs, health problems, etc., but they are still losing given the overwhelming size of the problem which requires the elimination of global constraints to allow for local solutions (Ross, Shakow and Susman, 1980). There are increased needs for social services during this period of restructuring. These agencies are under-funded and expected to pick up the pieces of both major and minor shifts in the economy. These include increased drug use, alcoholism, spousal abuse, health needs due to malnutrition and strenuous jobs as well as homelessness and overcrowded living conditions. These agencies often must put together resources from federal, state and local funding sources to keep their door open. Watsonville Community Hospital will most likely close within three years (interview with Shirley Castillo, April 10, 1999). The health care system
in the Pájaro Valley is unraveling. Most of the workers will have no coverage and will be served by private or employer paid plans.

**Education Without a Future?**

To align its vocational and technical services to the needs of local businesses, the Cabrillo Community College District commissioned a study called "North Central Coast Region Business Retention and Economic Advancement: A Report on 1995 Findings." Completed by the Resource Group, Riverside, California, the study surveyed 265 businesses in the Watsonville and Freedom area. The results suggested that Watsonville merchants were optimistic about the area's economic vitality, and projected higher gross revenues for the future. Six percent of Watsonville's companies were expanding, giving the city the highest rate of growth in Santa Cruz County. 32 percent were experiencing moderate growth while 38 percent were reporting increases in business activity. By the end of 1995 Watsonville businesses expected to gross a median of $500,000, compared to $450,000 the previous year. However, the survey suggests Watsonville's business optimism was tempered by the cost of doing business. For example, 56 percent of Watsonville merchants cited economic conditions as a major obstacle to business. 38 percent cited workers compensation costs as a major concern. 35 percent consider state and federal regulations a stumbling block to business. 33 percent point to the cost of employee benefits. 31 percent say they were worried about the effects of crime, gangs, and graffiti on their businesses.
Medical and health occupations topped the list of the ten jobs most in demand in Watsonville, followed by plant farming, then by packaging and materials handling, sales, general managers and officials, food and beverage preparation service, administrative specialization, office clerks, motor freight occupations and metal working. The survey also pointed out the high crime rates, the high rate of Spanish spoken in the households, the high rate of female headed households, and the low educational attainment of the residents.

There is an unfortunate relationship between the educational system within the Pajaro Valley and the creation and recreation of the existing truncated economic/job structure in the Watsonville/Pajaro Valley area. For example, Cabrillo’s employment assessment study concludes that in Watsonville over the next 3-5 years employers will require additional farm workers, fast-food workers, retail sales workers, truck drivers and warehouse people. This is far from the “land of opportunity” that Sam Farr talked about in a presentation to Watsonville’s Hispanic Chamber of Commerce a few years ago. If you look at the expectations of the educational system that is in place within the Pajaro Valley Unified School District (PVUSD), these are precisely the kind of skills that the schools in the southern part of the PVUSD are generating. The educational system that is in place is designed to provide what the existing employers need. The statistics on the PVUSD are dismal: 51 percent of the students who started out in the school system as first graders do not finish high school; the majority of the freshman class will not graduate from high school; and many students who do graduate from high school have to go to the junior colleges like Cabrillo and Hartnell to do remedial work and
develop the skills that they did not develop within the high school if they want to go on to the university level. The majority will not get any additional training beyond high school. Many are not adequately prepared for anything but jobs as truck drivers, retail sales workers, truck drivers, and warehouse people. In short, the PVUSD is succeeding at training the vast majority of its students for the low-skilled, low wage jobs increasingly available in the community, and ands failing to do much more than that.

This situation in the southern part of the PVUSD is in stark contrast with the expectations of the employers in the northern Aptos area. The Cabrillo study notes that they employers in the northern area see themselves as needing technicians, managers, and professionals. Aptos parents continue to try and secede from the PVUSD and develop their own separate educational system—the Aptos Unified School District (The Santa Cruz County Committee on School District Organization, 1995). To be sure, the secession movement by the Aptos parents will insure the elite educational system that the upper income Aptos parents desire and it will also protect and increase the real estate value of the housing in that upper income and primarily white area. The secession movement has exposed a major problem within the PVUSD; the expectations are too low and the educational system is in need of a major restructuring of expectations, methods and process. In stark contrast to the PVUSD, at North Monterey County High School all students are being exposed to the same curriculum. The expectation is that all students are being prepared to go into the California State University System or the University of California system.
The district has also developed some of the most innovative schools within the state of California. The PVUSD has much to learn from them.

The passage of the Unz initiative (Prop 227), which mandates that students must be educated in English after one year of language transition, has introduced additional burdens on the teachers and staff of the Pajaro Valley, further complicating the ability of the overwhelmingly migrant/Spanish-speaking students to catch up. A 1998 State mandate would scrutinize school test scores and the performance of all students, and those schools with low scores would be placed on probation. Close to 70 percent of the population of Watsonville is Latino, while over 80 percent of the school district is Latino (Carlos Palacios interview, January 27, 1999).

The Community of Watsonville generates over 30,000 jobs; almost half (14,700) are filled by people from outside of the community. They are the highest paying jobs that require higher education and more training. The remaining 15,300 jobs filled by people living in Watsonville are the lower paying jobs filled by those with less education or training (Santa Cruz County Employment Study, 1997). For example, a Retail Readiness Program, sponsored by the City of Watsonville and oriented towards the new retail outlets opening in the city, found that many high school graduates could not pass a test in reading and math at a 5th grade level (interview with Carlos Palacios, January 27, 1999). We argue that this uneven access to jobs is rooted in the uneven access to educational opportunities generated in the local public schools. A related issue is the large number of private schools that have
cropped up in the Pajaro Valley. They offer a separate educational experience for over 2,000 mostly white/middle class students.

A key to positive change in the Pajaro Valley and Watsonville will be the ability of the Pajaro Valley Unified School District in combination with Cabrillo Junior College and the University of California to seriously undertake the education of the children of the Pajaro Valley. As in many underdeveloped countries, education becomes a way of moving up the job ladder. Currently most of the people graduating from the schools in Watsonville are at the bottom.

The Regional Context: California's Central Coast

The Pajaro Valley is situated in an ideal Mediterranean climate on the Monterey Bay, and the City of Watsonville is located in that valley between the hills and the ocean. The region includes: the University of California at Santa Cruz (UCSC), Cal State University at Monterey Bay (CSUMB), the retrofitted Fort Ord (Cook, 1996), the new marine research facilities along the coast, the agricultural research center at the mouth of the Salinas Valley, plus a new transportation hub and internet on ramp also at Ford Ord, as well as the world famous Monterey Bay Aquarium and the Monterey Language school, etc. (see Map #1). These make this place ripe for future development by the real estate developers and financial sectors.

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Insert Map #1 here

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Borrego remembers that one reason he moved into the California Central Coast in 1974 was because he could work at the University and live in Watsonville, a more rural community with a large presence of Mexicanos. This was made possible by the extension of Highway 1 as four lanes from mid-county to the Monterey county line in 1974-75. It has taken 24 years for this linkage to develop into a major pressure on this community to develop. Another major pressure on this community is the existence of the spill over from the Silicon Valley over the hill from Santa Cruz, as well the pressures for urbanization as development moves south from the Silicon Valley to Gilroy and west ward over the hills via Highway 152 to the Pajaro Valley.

This unfolding set of possibilities is radically transforming new regional context and potential for Watsonville and the Pajaro Valley. The Pajaro Valley is now the location of an intense struggle over the nature of future development. The deterritorialization of food processing capital is bringing new pressures to restructure the economic, social, and political space that have been left behind by transnationally mobile capital. The drive in agriculture is to move toward more capital-intensive crops, e.g., away from orchards toward row crops such as strawberries. Each shift requires more low-wage labor, creating more pressure on the existing housing stock, requiring more schools, health facilities and social services which, up to this point, voters refuse to pay for. This has created a fiscal crisis throughout all the local levels (County, City) of government. The result is a tendency toward two very separate, unequal communities which have combined into a new interconnected system of accumulation in the Pajaro Valley. One
community benefits from the existing system of accumulation, and is wealthy enough to internalize its costs and wants to succeed, and the other becomes increasingly poor and must depend on an ever weaker government for support services. Deterritorialization thus recreates a new setting, a new social structure of accumulation, ripe for the more rapid reproduction of all fractions of capital (e.g., local, regional, national and global) at the expense of the largely poor mostly migrant Latino community. We are approximating locally what Robert Reich referred to nationally as the "succession of the successful" (Reich, 1996).

Conclusion

This report has briefly described the out migration of frozen food processing from the Pajaro Valley in California and the introduction of the export-oriented agro-industrial production focused on frozen vegetables throughout the Bajío, Guanajuato. The broader context for this expansion is the installation of the neoliberal model of economic development in Mexico. The introduction of the neoliberal model in Mexico, in turn, is part of North American integration and development driven by the competition between the global triad—the core nations of Japan, the United States and Germany. In turn all of these processes at the scale of family, community, regions, nations and transnational regions are housed with the overarching processes of global capitalist accumulation.

In the long run what might this march toward integration in North America bring to the regions and communities of the Bajío and the Pajaro Valley? We are witnessing the depletion of water and soil, the use of prime agricultural land for
urban industrial and commercial needs, and the difficulty of providing adequate housing, education, and social services. Both regions and their ideal climates may have to be abandoned by global capital for new and probably less productive areas.

In short, transnational agro-industries and states continue to use up workers, communities, or regions on both sides of the border in the pursuit of the neo-liberal dream and global capitalist accumulation. The combined and uneven development of vegetable food processing sector across North America comes at an enormous cost to communities, workers and families on both sides of the border because both regions are caught in a downward spiral. Market solutions to problems in agriculture, like in all other sectors, is slowly destroying our ability to survive because it is destroying the base upon which both economic and social systems exist.

At the broadest level the relationship between capital and community must be redefined. Society must govern market forces.

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**Policy Issues**

**Level I: State and Regional government**

1. There are some limits on the mobility of capital but they are not enough. If governments are going to spend money on attracting capital then should they be compensated if firms leave? Can firms be required to give more advanced notice? How can economic development generate new jobs, or retraining for other jobs for displaced workers?

2. Should a shift toward organic production be supported by state incentives? Would organic production lead to increased wages for agricultural workers?
3. How can we provide funding augmentation for social service agencies that are experiencing increased demand for services? How can the underlying causes of social problems be addressed?

4. How can we provide a quality education to predominately Spanish-speaking poor and often migrant Latino children? How can we effect a positive change in combination with local community colleges and universities for the education of children in rural communities?

5. Importing water may drive out agriculture. How does a region develop local alternatives to the importation of water that would not urbanize the farmland of an agricultural region?

Thanks to the California Policy Seminar, The University of California Consortium on Mexico and the United States (UC MEXUS), and the Chicano/Latino Research Center, University of California, Santa Cruz, which provided support for this research.

**Level II: Community**

1. How does a community best utilize the old plants and industrial areas? How can it generate development for new uses?
2. How can a community with a declining tax base cope with the increased housing, the education, and range of health and social services needed by displaced food processing workers and increasing numbers of agricultural field workers?

3. How does a community provide for the agricultural labor force when the tax base has eroded? How to generate jobs that target displaced, often middle-aged food processing workers?

4. How to increase real political power for Latinos when the economic base is eroded? How does a community mobilize the real power brokers to contribute to the needs for social services and education for the predominantly Latino community?
Endnotes

1 In the U.S. we conducted 6 interviews with owners, managers, growers or technical staff for food processing; 23 with former or current food processing workers; 5 with current or former farm workers; 6 with labor organizers, union officials or community activists; 8 with elected officials or government staff; and 9 with professionals in social service agencies or schools. In the Bajío region, we conducted 5 with representatives of state government or other technical consultants; 14 with owners, managers, growers or technical staff for food processing; 14 interviews with current or former food processing workers, and 5 with labor or community organizers. We also did 15 interviews with workers in other sectors—agriculture, textiles, and auto manufacturing, services textiles to get some comparative perspective. We also interviewed scholars who specialize in the Mexican economy or U.S.-Mexican relations and secured their publications so as to synthesize existing research. It would be remiss to ignore the importance of ongoing participant observation by John Borrego, who has resided in Watsonville for 25 years, and lived for 16 of those in a working class neighborhood where many former food processing and farm workers lived. Thus Borrego has well-established relationships with some of the food processing and farm workers as well as some of the local elected officials that we interviewed. His familiarity was invaluable in allowing us access to workers who often were initially skeptical of our motives (for varied reasons) and who came to trust him through viewing his scholarly participation in local fora and letters to the editors regarding these issues.

2 Initially, the pace of expansion of frozen vegetable production in Mexico was limited by the reluctance of Mexican landowners to grow winter vegetables (such as broccoli and cauliflower) in place of grain for the domestic market. The profits associated with winter vegetable production was large enough to overcome this
initial reluctance. Growers soon found that they could profitably integrate forward into processing, utilizing the production technology and distribution channels of U.S. firms.

3 The actual number of lost jobs is difficult to estimate, in part because the plant closures happened in phases. The President of the Teamsters union places the number close to 6,000, since there were 8,000 unionized food processing workers in the late 1970s but only about 2,000 by 1995 (Interview with Joe Fahey, Teamsters Union International, President of Watsonville Local, 25 October, 1995). However, that includes all food processing workers, not just those in frozen fruits and vegetables. Further, some food processing workers were able to find new jobs in the remaining factories, so they experienced temporary displacement. We believe that 4,000 is closer to the number of workers who were displaced.

4 In his book, In Dubious Battle, John Steinbeck wrote about Watsonville's apple producing region and the strike that occurred here in the 1930s.
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