

DECLARATION OF DON VILLAREJO

NOVEMBER 11, 1987

I, Don Villarejo, Executive Director of the California Institute for Rural Studies, Inc., declare the following to be a true and accurate rendering of facts known to me.

During the period dating from late 1982 up to the present there have been a large number of farm successorships in California. In part, this reflects the poor economic performance of the agricultural sector throughout the nation. However, within California there are additional factors that must also be considered. These factors refer to conditions in the fruit, nut, vegetable and horticultural product industries that account for about 2/3 of California's crop production (these products account for only a 1/3 share of national crop production).

First, a large scale reduction in lettuce production in the Imperial Valley of California occurred in the three year period dating from late 1982. A number of major producers reduced their planted acreage or closed their operation entirely. Among those closing their operations was Sun Harvest, Inc., the nation's largest lettuce producer. Sun Harvest's statewide cropland acreage was 15,754 acres as of 1978. By January 1, 1986 the company's offices had closed and the entire workforce was laid off. As the largest agricultural employer in the Imperial Valley this firm likely employed between 800 and 1,600 individuals per season. Other major Imperial Valley vegetable operations that went out of business include Cal Coastal Farms, Inc., Growers Exchange, and Maggio, Inc. In all such cases it is not possible to easily establish contact with a person with responsibility for the firm's business records. For example, the Sun Harvest phone has been out of service for some time and its office closed.

Second, substantially increased production of grapes in the San Joaquin Valley throughout the 1980's led to sharply reduced prices, especially for the Thompson seedless variety. As a result of this unanticipated squeeze on prices quite a number of large grape producers went out of business entirely. Among these were Calplans Farms, Westward Farms, Noble Land & Cattle Co, Mid-State Horticultural Co, and Robert Farms, Inc. The Roberts farm boasted that it was the largest grape producer in the world. In most of these instances a new, unrelated business bought the land and/or the equipment of the prior firm and continued the farming operation. However, in only a very few instances did the successor firm assume the prior debt obligations. Effectively, this means that access to employment records of most of the defunct firms is not practical.

Third, continuing overproduction of broccoli and lettuce in the Salinas Valley (the state's most important vegetable region) has resulted in a wave of successorships in that area. Some labor representatives argue that companies are merely trying to avoid unionization while others argue that the cost-price squeeze facing all Western vegetable growers is at fault. Finally, there are some industry observers who point to the rise of imports of vegetable products from Mexico and Central America as the most significant factor. Since the U.S. is now a net importer of both processed and fresh vegetable crops it is reasonable to claim that this low-cost competition is a new factor for California

growers to contend with. But no matter what the cause it is clear that a large, and presently undetermined number, of Salinas Valley vegetable firms are now out of business. These include Harden Farms of California, West Coast Farms, Cal Coastal Farms, Growers Exchange, and Sun Harvest, Inc. (the last three firms were also active in the Imperial Valley).

Fourth, there have been major shifts in the production of fresh market tomatoes from California regions to Mexico over the past several years. San Diego County, which averaged about 5,000 acres of fresh market tomatoes just a few years ago now has only 2,500 acres of the crop. As a result, a number of firms which specialized in this crop have gone out of business. This crop had been historically important in all California vegetable growing regions and is now generally regarded as "lost." One important producer, Santa Clara Produce Co. (Ventura County's largest vegetable producer) has gone out of business.

There are some additional factors that must also be considered in the context of turnovers in farming operations. As a result of Congressionally imposed payment limitations for recipients of USDA price and income supports, there has been a proliferation of "paper farms." By dividing up large cotton, grain or rice farms into sufficiently small "independent farm entities" it becomes possible to seek qualification for program payments for each farm. Since the maximum payment per farm is now \$50,000 then a large farm could qualify for multiple payments provided each entity can be shown to be independent. Using this approach Prudential Insurance sought to collect more than two dozen payments on its 26,000 acre Dudley Ridge farm. A General Accounting Office study suggested that as many as 30,000 such "paper" farms were being created.

Another similar scheme is being used by farms that receive Federal irrigation water. Under the Congressional limit of 960 acres for subsidized water, many large farms that depend on such support are dividing into 960 acre pieces in an attempt to qualify each unit for the full subsidy. Vaquero Farms, Inc., a 6,700 acre farm divided itself into seven such entities.

The Fresno County ASCS office of USDA reports a thirteen-fold increase in the number of applicants for approvals of such farm divisions. While it is impossible at present to determine how many farms have been split up for these purposes it is clear that many farm employers have re-formed under new names. The situation is so complex in this regard that another GAO investigation is now underway. It is unlikely that an individual not familiar with the intricacies of such schemes could figure out who to contact to inspect or verify employment records.

In the past nine months there have been additional major shifts in the ownership of California agricultural land. Tenneco West's 28,000 acres (in Kern, Madera and Merced Counties) has been purchased by Castle & Cooke. Getty Oil Company's 77,000 acres of irrigated land has been purchased by a Southern California investor. And the S & J Ranch properties, including about 13,000 acres of citrus, nut and olive plantings was purchased by Castle & Cooke. These major shifts suggest that the period of "readjustment" in California agriculture is not yet over and that more transfers of ownership are likely to occur in

the near term.

In this context it appears likely that a considerable number of persons employed in agriculture in prior years would find it difficult, and, in some cases, impossible, to locate employment records for verification purposes. It is likely that in a number of cases it would be necessary to rely on an affidavit sworn to by the former employee. It should also be possible to use EDD records to verify some records, although this type of useage would be limited to those firms with an established record of payment of UI and other employer taxes. The proposed remedy of subpoena power to obtain employment records might be useful in cases where a successor firm assumed the obligations of the firm which preceeded it.