APPENDIX 2

U.S. FOOD PACKERS PICKING UP MEXICAN EXPANSION ENTHUSIASM

The money is looking greener on the other side of the border to U.S. fruit and vegetable packing companies worried by farm labor troubles and generally rising production costs at home.

To move or not to move substantial components of the multibillion dollar industry to Mexico is the question being considered.

With the Mexican Government offering tax credits, Mexican weather offering an earlier ripening season and Mexican labor offering substantial reductions in production costs, the obvious answer seems to be "Why not?"

Eight U.S. companies already have made the move, although their Mexican operations remain relatively small compared to the giant U.S. packing industry—worth $15 billion per year in California alone.

Latest company to take the step south of the border is Green Giant, whose headquarters is in Le Seur, Minnesota. The company has made a relatively modest $250,000 start at Huatabampo, in the potentially rich desert state of Sonora. In a joint operation with Hongos de Mexico, Green Giant will pack about 300 tons of mushrooms this year.

But this is only a pilot project. If it goes well, Green Giant intends to buy into the Hongos operation and expand the investment to more than $1 million with a new plant at Guaymas, Sonora, 225 miles from the Arizona border. The plant would supply both Mexican and U.S. markets.

Other companies already operating in Mexico are H. J. Heinz of Pittsburgh, Campbell Soup of Camden, N.J., California Packing of San Francisco, Corn Products of New York, General Foods of White Plains, N.Y., Gerber Products of Freemont, Michigan and Anderson-Clayton and Company of Houston.

All were drawn to Mexico even before the end of the U.S. bracero program 18 months ago.

The troubles that have resulted from the bracero cutoff may be the final straw, tipping the scales to a "go south" decision for other companies and expansion for those already here.

The failure of local U.S. labor to step into the exhausting field work left by the barred Mexican workers is costing the companies money and adding to shortages caused by dwindling farmland acreage in rapidly urbanizing states like California.

"The bracero cutoff expired just ahead of the last big U.S. tomato crop—much of which was left to rot in the fields," said Herbert Wallace, Jr., General Manager of Heinz operations in Mexico.

PROFITABLE ACTIVITY

For Heinz, like other companies, moving to Mexico has been a profitable, expansion encouraging proposition from the start. The company moved here two years ago, opening a strawberry plant at Salamanca, 150 miles northeast of Mexico City, that employs 600 workers and ships 60 tons of strawberries a day to the United States at the height of the season. It now is also handling chiles, pineapples and garlic powder.

Campbell's producing for the Mexican market, began with a small plant that packed just three soup ingredients at its start in 1959. Now Campbell's is buying 26 local crops.

California Packing ships only chiles to the United States from its Mexican plant, but is developing plans for expanding into vegetables and fruit, testing the move first with Mexican grown peaches.

Canners first found a reluctance in the United States to buy Mexican grown or packed food, but executives say this has been overcome by publicity stressing that all Mexican products must pass the same rigid U.S. Food and Drug Administration standards as those grown or processed in the United States.

A shortage of cans and other technical problems—especially the high initial cost of moving—are still a negative factor for companies considering the move to Mexico, but these do not appear too weighty in contrast with the benefits being offered.