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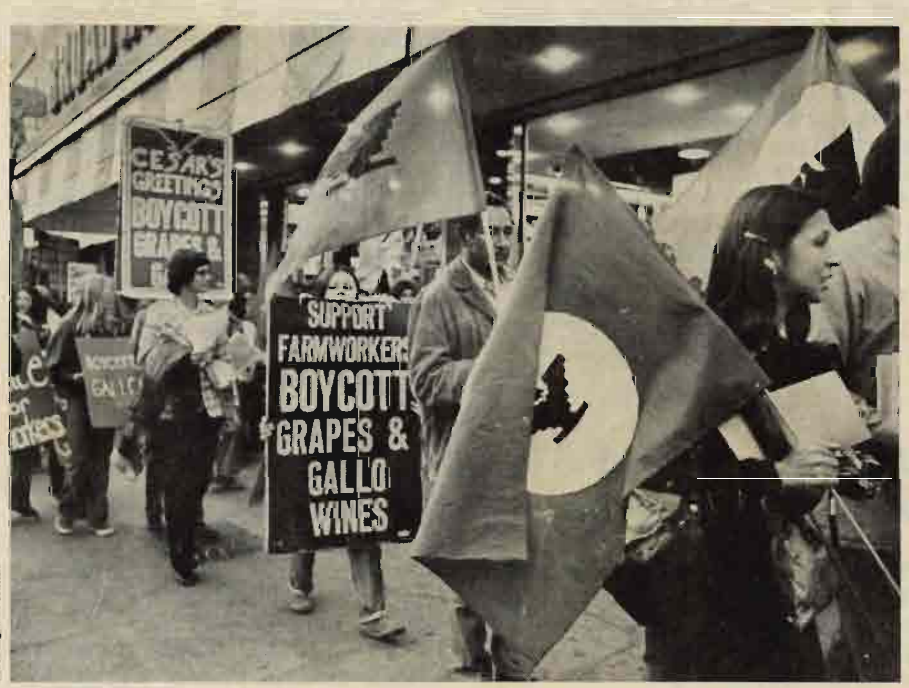
UNIONS

Chavez escalates his attack on Gallo

It's enough to drive a company to drink—especially when the company happens to be E. & J. Gallo Winery, the country's largest wine producer. Because wine prices were up almost 30% in 1974, consumer demand appears to be shifting toward beer and distilled spirits, which rose in price less than 10%. At the same time, Gallo has just been slapped with a $225-million anti-

So far, Gallo claims the so-called "hit-and-run" tactics of the UFW have not dented the company's performance. "In areas where illegal secondary boycotting has been heavy," says a spokesman for the privately held, Modesto (Calif.) company, "sales at those stores are down." Over-all, Gallo claims that dollar sales through the first three quarters of 1974 were up only 1% to 2%, or far less than the rate of inflation.

Full-time action. Either way, the UFW is determined to make things hotter for Gallo. Up to now, the union has been running grape, lettuce, and Gallo boycotts at the same time. But now that grapes are off the market for a while, says Chavez, the union will devote full time to the Gallo action. "The Gallo



Los Angeles Times

The UFW's Chavez now claims that anti-Gallo picketing is going on in 41 big cities.

trust suit by three members of the United Farm Workers union and three consumers. The suit, filed earlier this month, accuses Gallo of monopolistic practices that have purportedly cost harvest workers at least $15-million in lower wages and consumers at least $60-million in artificially inflated wine prices. Now, to top off Gallo's troubles, the UFW plans to step up the pace of an 18-month-old program of picketing and boycotts against Gallo products.

The struggle between Cesar Chavez' union and Gallo traces back to July, 1973, when the UFW's six-year contract expired and representation of Gallo's 500 permanent and seasonal farm workers switched to the Teamsters. Gallo called the union change a "voluntary agreement," but the UFW labeled it a "sweetheart deal" between Gallo and the Teamsters. Since then, the UFW has staged random picketing and boycotts of retail outlets handling Gallo products.

boycott," says Chavez, "is going to be three to four times as effective, because we are now throwing our full weight behind it." Chavez concedes that he does not expect any quick, easy victories. He predicts that it will take at least two more years before the UFW finally forces Gallo to return to UFW representation.

James Drake, director of the Los Angeles and Orange County UFW, claims that 600 to 700 pickets turned out in Los Angeles alone during the Christmas week, bearing signs reading, "Cesar's Greetings: Boycott Gallo." At that time, Chavez and the rest of the UFW's executive board decided to put full emphasis on the Gallo boycott. This month, UFW representatives visited some 800 stores in the San Francisco Bay area and received assurances that 50 would remove Gallo products from their shelves. Last weekend, new UFW boycotts hit Gallo outlets from San Diego to Chicago, Detroit, Pittsburgh, and Boston. Chavez claims that picketing is now going on in the country's 41 largest cities.

Beginning in February, the campaign will enter yet another phase when 60 Los Angeles public buses begin bearing signs on the back, saying, "Boycott Gallo." Shortly after Valentine's Day, the UFW is planning a 100-mi. march from San Francisco to Modesto to dramatize its appeal.

For its part, Gallo dismisses both the UFW suit and the stepup in picketing and boycotts as "absolutely groundless publicity-seeking efforts of the UFW." In the meantime, the company has embarked on a publicity effort of its own, sending thousands of letters to churches and schools, explaining its side of the UFW-Teamsters controversy. To combat a 9% slide in the company's pop wine sales last year—a dip related to falling demand, rather than to the UFW actions—Gallo is also expanding the higher-priced end of its line. Last October the company introduced two generic wines (rosé and riesling), plus six varietal wines, ranging from $1.79 to $1.99. ■

ACQUISITIONS

An Arab may bid a billion in banking

The battle over Saudi Arabian Adnan Khashoggi's bid to purchase one-third control of the First National Bank of San Jose may be a preview of things to come in banking.

Richard Nagel, a representative of the Saudi Arabian, says his employer "would like to build up a critical mass in the banking business," apparently in the San Francisco area. Khashoggi, who recently helped Northrop Corp. win a $750-million Saudi contract for jet fighters, already controls two small area banks: 98% of Security National Bank (not related to the troubled New York bank of the same name) and 84% of Contra Costa Bank in Walnut Creek, Calif. But the combined assets of these banks are hardly more than $150-million, and Nagel says that his employer "cannot be a major factor domestically or internationally at that size." Consequently, Nagel continues, his boss is looking for "maybe $500-million or maybe $1-billion" in personal banking interests.

Khashoggi, who is worth more than $80-million, reportedly is interested in First National of San Jose because of its strength and because it fits into a geographical market that he has not yet touched in the Bay area. Initially he wanted to make a tender offer for a one-third interest in existing shares, but management rejected that. Now Khashoggi has offered to pay a 125% premium for a new issue of 650,000 shares of common stock to be sold privately to him.

Counting votes. The offer has splintered the bank's board. On Nov. 25, nine directors approved the sale, five opposed it, and three were absent. This week the schism widened as the dissidents sought legal counsel and became more vocal in their criticism.

Directors who are against the Khashoggi purchase point out that it could easily lead to a complete, low-cost take-over by Khashoggi. A partial acquisition, says director Grant Early, "would pave the way for Khashoggi to acquire absolute control of the stock at bargain prices when he is free to move into the open market after June 30." If the deal is approved, Khashoggi would be prohibited from buying any more stock until then.

In addition, director Louis Sullivan is concerned about the response to a "community bank becoming an Arab bank." Already, the president of the Jewish Federation of Greater San Jose has indicated that he will pull out his account if the Khashoggi deal goes through.

The leading advocate of the Khashoggi stock purchase is Howard W. Rathbun, vice-chairman. Rathbun believes First National shareholders will benefit from Khashoggi's interest and cash. His bid of $21.83 per share was substantially higher than the closing $16.50 bid price on the date of the agreement. In addition, the new capital will provide the bank with a broader financial base, as well as facilitating "continued expansion."

The latter goal has baffled a number of directors, and director Early sums up their feelings. "What this all boils down to," he says, "is that we would be surrendering control of the bank to Khashoggi for capital we cannot use effectively." The problem, he says, is that the bank has no plans on the drawing boards that would require huge amounts of capital.

Whether Khashoggi gains control of the bank or not will be decided by a vote of the shareholders on the last day of the month. Vice-Chairman Rathbun expects the Saudi Arabian to receive the required two-thirds vote and the approval of the Comptroller of the Currency. On the other hand, director William F. Webb, who charges that some directors found out about Khashoggi's intentions only 45 minutes before arriving at a meeting last Nov. 4 to discuss them, hopes that if shareholders read the proxy, they will vote against the proposal, and Khashoggi "will pick up his tent and go home." ■