SALINAS, Calif., Sept. 1 (UPI) — Cesar Chavez, the leader of the United Farm Workers, marked a milestone in his union’s eight-month lettuce strike today by signing of a contract with the nation’s biggest lettuce grower.

The settlement, reached late yesterday with Sun Harvest Inc., a subsidiary of United Brands, will raise farm workers’ pay to more than $5 an hour.

Describing the agreement as “a victory for both the union and the company,” Mr. Chavez immediately called off a nationwide boycott against the company’s lettuce and Chiquita bananas, which are produced by a subsidiary of United Brands.

It was the boycott strategy that drew national attention to Mr. Chavez in the 1960’s as he sought and later won the first contracts for the union with California growers.

Includes Cost-of-Living Clause

The new contract raises the base pay for farm workers to $5 an hour. Their pay will go up at least another 71 cents in the next two years, and more under a cost-of-living escalator.

The union is continuing its strike against five other big growers in the Salinas Valley, the nation’s “salad bowl,” but Mr. Chavez said he expected the contract to be a model for settlements with the other producers.

“We think it’s a competitive contract,” said Ronald Kemp, a spokesman for Sun Harvest, which two weeks ago broke away from a coalition of growers that is bargaining with the union.

Long-Term Effects Feared

Mr. Kemp said the boycott against United Brands had not had a significant effect but that the company had feared the long-term effects of a boycott against its products, which include A & W Rootbeer and John Morrell Meats.

A spokesman for the other concerns being struck by the U.F.W. complained that Mr. Chavez had delayed meeting with them since Sun Harvest split away from the coalition. “We have asked for meetings with the union and hope to have one next week,” the spokesman said. “We are going to stick together and try to negotiate.”

The lettuce strike, which began in the Imperial Valley of southern California last winter, has been marked by frequent violence on picket lines in the dusty fields as the harvest moved through the state. The growers brought in nonunion workers from cities and were able to keep the harvest going.