

A/8.06

Preliminary Draft

OPERATION OF EVACUATED JAPANESE FARMS
BY FARM CORPORATIONS

In a statement prepared for one of the Hearings of the Committee on National Defense Migration held on March 6 in San Francisco, Laurence Hewes, Regional Director of Farm Security Administration, declared emphatically that in his opinion "no corporation can successfully operate directly a large number of widely scattered holdings."¹ These words were prophetic,

1. Hearings, part 31, p. 11655

for indeed the Farm Corporations sponsored by FSA to operate evacuee leased or owned farms met their fate as predicted by Mr. Hewes. The birth of farm corporations can be traced to two important facts. (a) The attempt on the part of existing agencies financing agricultural production, marketing and processing farm products to protect their interest; (b) the failure of FSA to find adequate individual operators to take over the farms forcibly abandoned by evacuees in certain areas of California and Washington, while at the same time its duty as enunciated by civilian and military authorities was to maintain agricultural production in these areas.

These farm corporations were non-profit organizations formed as subsidiaries to already existing "successful corporations," and operating on government loans. Thus, the financial inviolability of their "mother" organizations was assured. These were indeed "dummy" corporations, for their officers were

the employees of different fruit shipping and canning companies operating in some of the areas evacuated.¹ The evacuation

1. Cf. FSA Final Report, pp. 18-19 and table 12, USDA War Board meeting October 1, 1942, Minutes of Meeting. Letter from W.L. Phelps, WRA Evacuee Property Officer to E.J. Bauman, WRA Documentarian, December 3, 1943, p. 1.

of the Japanese would have affected the fruit and vegetable marketing and processing companies in two ways. First, it would have depleted their labor supply and especially their skilled labor supply, while at the same time the labor market was getting tighter. As a resolution of the Newcastle Fruit Growers Association puts it: "If the help of the [Japanese] men should be evacuated from the county at this time it would seriously interfere with the handling and harvesting of the fruit produce here."² A group of San Joaquin Delta large-

2. Resolution of Board of Directors of Newcastle Fruit Growers Association, March 14, 1942, to Placer USDA War Board.

scale farmers and vegetable processing companies operating 50,000 acres puts it bluntly: "The removal of the Japanese now employed on these farms will be catastrophic and cause a paralysis of our operations."³ Secondly, it must be noted that

3. Resolution of a group of San Joaquin Delta Farmers to Dave Davidson, March 11, 1942.

many of these companies had financed production on Japanese operated farms and had already made plans for the marketing of the expected crops to be yielded by Japanese farms.

If the Japanese tenant, share cropper or owner could not stay on the land, the harvesting and marketing of his crop would have to be assured so that these companies would not suffer any loss and would keep, and perhaps extend, their control over the marketing of products of Japanese farms and assure the flow of farm products to their customers.

Not all these companies had to solve those two problems. Some were only concerned about their labor supply.¹ Fruit

1. This applies especially to farmers and processing companies in the Sacramento -San Joaquin Delta areas where there are very few Japanese owned farms, and where the few Japanese share-croppers operate on a large scale.

marketing companies, especially those operating in the Placer, Lodi, and Florin areas, had to face both of these problems: the Japanese operated many farms in these areas. During the first phase of action, fruit companies, vegetable companies, processing companies, all voiced their desire to have Japanese labor kept in California until the end of the crop season. But in the second phase of action, we find only the fruit companies actively manipulating for control of the 1942 crop on Japanese operated farms. The rapprochement between the FSA and the Fruit companies occurred almost naturally and was forced by events which FSA could not, or did not want to control.²

2. More data to come here to substantiate my point.

It is interesting to note that in their first phase of action, the shipping and canning companies dealt almost solely

with USDA War Board which played an important part before the emergence of the FSA. As it became obvious after Public Proclamation No. 1 on March 2 that Japanese would be evacuated before the ^{end of the} crop season in Northern California, many private groups became actively concerned about the fate of Japanese operated farms and Japanese farm labor. The most active group of them all was probably the California Deciduous Fruit League.¹

1. This is to be supplemented if and when more material is available.

It was natural for that League to contact the USDA War Board, which already was concerned about the effect of evacuation on agricultural production.²

2. Minutes of USDA War Board meeting, February 26, 1942. Jack H. Helmes, OCD, to Davidson, March 7, 1942: "We very much appreciated receiving your war letter No. 71 concerning military areas and their effect on agricultural production. Our interest in the problem presented by these military areas arises chiefly from our responsibility in connection with general measure to alleviate the impact of war and defense effort and in this connection one of our most immediate points of concern is that we be in position to render every possible assistance toward assisting in the replacement of farm labor lost to military areas as a result of evacuation" Telegram from Davidson to Director of Western Division AAA: March 10: "Had visit with Eisenhower yesterday. Now clear that our Japanese problem consists in replacing their farm labor and operations."

On March 5, George H. Casey, its president, expressed in a telegram to Dave Davidson, Chairman of the USDA Defense Board, the desire of the directors of the league "to make an appointment for very brief meeting on matter relating to orders issued under military proclamation relative to deciduous fruit."³

3. USDA files B-1.02, Casey to Davidson, March 5.

The meeting was held on March 10.¹

1. More to come here when and if I can get information on this meeting.

The following member corporations were represented at that meeting by their directors:

Pacific Fruit Exchange, San Francisco
California Fruit Exchange, Sacramento
American Fruit Growers Inc., Lodi and Newcastle
Loomis Fruit Growers Association, Loomis
Newcastle Fruit Company, Newcastle
Earl Fruit Company, San Francisco
Central California Berry Association, San Francisco²

2. George H. Casey to Dave Davidson, enclosure. March 11, 1942

It was agreed at this meeting that "military authorities were going to ask the various County War Boards for certain information regarding agriculture which would go forward to the county War Board in War Letter No. 77." The California Deciduous Growers League was also "allowed" the "privilege of making a master presentation."³ The War Letter No. 77 was apparently

3. George H. Casey to Davidson, March 26, 1942

drafted on the same day and after approval by Army Authorities it was mailed and dated March 12.⁴ The letter was essentially

4. Davidson to Colonel F.W. McGill, Provost Marshal, WDC, March 10, 1942.

concerned with the "possible deferment of movement of some groups of Japanese."⁵

5. Ibid.

To quote the Cannery League of California: "this letter in effect is an instruction to the County War Boards to make a survey of the areas in agricultural production within their jurisdiction with the object of recommending deferments in the removal of groups of Japanese engaged in the production of crops which will be harvested some time prior to the final removal date which has not yet been announced." The Cannery League recommended its members to give a "careful study" to the War Letter No. 77.¹ While War Letter No. 77 was being dis-

1. Cannery League of California, Bulletin No. 2593-A, March 13, with War Letter No. 77 attached.

patched and received, the various companies who were members of the League tried to "advise groups in the counties where they knew the major deciduous tonnage came from."² In other words,

2. George H. Casey to Davidson, March 26, p. 1.

in the counties where they had influence and vested interests. On March 11, the Directors of the Newcastle Fruit Company; on March 12, the Directors of the Loomis Fruit Growers Association and American Fruit Growers; on March 16, the Director of the Newcastle Fruit Growers Association; and on March 19 the Deciduous Fruit Growers wrote to the Placer USDA Board urging postponement of evacuation to permit completion of the harvesting crop. Other groups in Placer County not directly connected with the Growers' League favored early evacuation. Indeed,

George H. Casey complained that "it has been very difficult matter to have people understand the purpose of the County War Boards," and then made this revealing statement, " We found that it has been our experience through the years that very few people take advantage of the opportunities afforded them to use the agencies, particularly the agricultural agencies, that have been created by the Federal Government in behalf of growers and producers."¹

1. George H. Casey to Davidson, March 26.

As a result of these facts, the answer from the Placer County USDA War Board, March 19, to War Letter No. 77 was ambiguous and evasive. The Sacramento USDA, in a letter dated March 19, "recommended that the date for final evacuation be set as late as possible, consistent with public safety and furthermore to enable farmers to make plans." The San Joaquin and Solano USDA in letters dated, respectively, March 20 and March 19, did not commit themselves but apparently favored late evacuation. Almost all other USDA Boards favored immediate evacuation. More action was needed and on March 20 the League presented its own request to Mr. Davidson that "the evacuation of persons of Japanese ancestry engaged by the California deciduous fruit industry in agricultural pursuits (including the handling, packing and preparation for market of same) be deferred until September 30, 1942."²

2. Request of California Deciduous Growers League for Recommendation with respect to evacuation of Japanese, March 20, 1942.

Dave Davidson summarized these requests in a letter dated April 3, 1942, to Lt. Colonel Boekel, WCCA, mentioning that in three areas the "retention of Japanese labor (italics mine) will be of great assistance," namely, the Delta area, (1) the Lodi area, and (3) that part of Placer County in Area No. 1. He specifically requested that Japanese in the delta area be left through the end of June and that Japanese in the other area be left as long as possible. At a meeting between Lt. Colonel Hass and Dave Davidson held on April 14, the latter repeated his requests. "Lt. Colonel Hass did not tell us definitely when the Japanese would be removed from these areas, nor did he tell us whether or not a period of deferment would be granted."¹

1. Dave Davidson to George H. Casey, April 17.

From the date at which these areas were evacuated it appears that the Army had already made its plans and was not very impressed by these demands. Thus the Placer area was evacuated by May 14, the Lodi and San Joaquin Delta areas by May 21, and the lower Sacramento Delta by June 6.

While these requests for an extension of evacuation were being made, the various members of the California Deciduous Growers' League were working out with the WCCA and FSA the plans for the formation of farm operating organizations.² The official

2. George H. Casey to Dave Davidson, May 1, 1942

explanation for the operation of Japanese farms by Farm Corpora-

*check with
statements
made by
W.L. Phelps.*

ations is as follows: "Frequently the prevailing size and highly specialized character of Japanese farm enterprise made successful operation by individual substitute operators impractical and unenconomical, and consequently some consolidation of the operation of these small farms was found to be necessary."¹ The FSA report was more explicit: "Since many

1. WDC & FA Final Report, p. 141. Copied word for word from FSA Final Report, p. 18.

agricultural interests had a stake in the agricultural production from Japanese-operated farms as a source of supply, it was logical for them to find substitute operators or to undertake themselves to provide for the handling of these properties. In instances where existing agricultural concerns did not care to involve their packing or processing organizations with the task of and financial responsibility for agricultural production or the management of properties, special operating corporations were organized for such purposes." Realizing the explosive nature of such a statement, the FSA report hastily added: "Many of the Japanese farming groups had confidence in these concerns since they had the reputation of conducting their business affairs with fairness and responsibility over a period of years."²

2. FSA Final Report, p. 18.

Check! } If this is true, it is indeed unfortunate that these "reponsible operators" lost the confidence of Japanese evacuee farmers after

their rather disastrous operation of evacuees farms.

According to FSA: "the evacuation of Bainbridge Island demonstrated conclusively that larger scale private agricultural enterprise might assume the operation of evacuated land."¹

1. Ibid., p. 17.

That means FSA discovered that if it did not deal with private agricultural companies it would not be able to achieve the very goal that was set for itself; the continuation of agricultural production on Japanese operated land. According to a memorandum from W.L. Phelps (Supervisor of the WCCA-FSA Sacramento office and now Agricultural Evacuee Property Officer with the WRA Sacramento office) to Russell T. Robinson, dated January 6, 1943: "At the time of evacuation the FSA attempted to secure substitute operators for the ranches [in the Florin Area] and met with little success. . . . Strawberry acreage dropped from 1,600 acres to probably less than 200 acres. However, in the case of Tokay grapes, all farms which did not have individual operators were taken over by the various operating corporations, which corporations were formed by the various shipping companies located in this area." The situation was similar in Placer County.²

2. W.L. Phelps to Eleanor J. Bauman, WRA Documentarian, December 3, 1943.

No where in the FSA report, however, is this fact apparent. By putting the various statistical "Reports of the FSA

participation in the WCCA program," those included and those not included in the FSA final report, one can realize the difficulty that FSA had in trying to find substitute operators for farms in the Sacramento-Placer area and the Seattle area. Thus, on May 1, more than one month after the beginning of controlled evacuation, 51.5% of Japanese operated farms in the Sacramento WCCA office (covering the counties of Sacramento, Placer, Yolo and Solano) had still not been transferred. But by May 22, thanks to the Farm Corporation, almost 85% had already been transferred.¹ By June 5, 96.6% of farms in this

1. Weekly report of activities of WPA Field Office, May 1 and May 22. Not in FSA Report.

area had been transferred.²

Although the Fruit Companies were interested in operating evacuees' farms, and although they were anxious to protect the interests they had vested, directly or indirectly, in these farms, they were also anxious~~ly~~ to avoid any risk in operating these farms.³ Formation of a parent corporation financed by

3. Statement of Director of the California Fruit Exchange at the conference of Fruit Shippers and Cannerymen held September 28, 1942: "Mr. Heggblade (Tokay Inc.) and Mr de Camp (Northern Farms Inc.) mentioned the fact that we, all of us, understood that if there were any losses on any individual ranches or ranch - the corporations or individuals would not be held responsible. If there was any question in my mind last June you can bet your last dollar I wouldn't have stuck my name on those papers.

the government was the solution sought and obtained.⁴

4. Here a large amount of material is needed to show the relation between the government and the corporations.

According to the FSA report, ten corporations were formed to operate 124 Japanese farms, representing 4,723 acres, and received \$617,987.17 in loans.¹ The information thus contained

1. Table 12. Name of corporation formed listed, without showing their affiliation.

in the report is laconic, unrevealing and inaccurate. In Northern California, only, there were nine such corporations formed operating 196 evacuee farms, representing 5,772 acres. These nine corporations received ^{about} \$897,000 ~~000~~ in loans from the government.² Besides these, two other corporations were

2. Memo from W.L. Phelps to Russel T. Robinson, September 30, 1942. Data obtained at meeting of officers of various operating corporations.

formed in Washington to operate 38 farms covering 973 acres, with a loan of about \$93,000.00.³ There were apparently a few

3. FSA Report, Table 12.

other corporations operating in other parts of California.⁴

4. To be checked

Altogether, 15 corporations were formed with over \$1,000,000.00 in loans to operate close to 250 Japanese farms covering over 6,000 acres.⁵ According to a compilation made by W.L. Phelps

5. Notes on office call of Mr. Robinson from WRA, September 29, 1942, by Mr. DuBois, USDA War Board. To be checked

10,209 acres or 42% of the acres transferred in the counties of

Sacramento, Yolo, Placer and Solano were taken over by these corporations. Farm corporations played an important role in the transfer of evacuee farms, especially in the Sacramento-Placer area, much more so than is admitted in the FSA report and the WDC and FA Final Report. According to a preliminary tabulation, made on the basis of the WFA-30 and WFA-2 forms, it appears that 65% of evacuee operated and 73% of evacuee owned farms in Placer county were taken over for operation by Farm Corporations. (Percents measure the acreage). Our calculations check closely with the compilation made by W.L. Phelps.

The two Farm Corporations that received the largest loans, and indeed were the largest operators, were those associated with the companies most active in furthering their interests: the Pacific Fruit Exchange, headed by George H. Casey, and the California Fruit Exchange. Together they received 44% of the amount loaned to the 9 corporations although they apparently operated only ~~3.26%~~^{32.6%} of the acreage transferred.¹

1. W.L. Phelps to Robinson, September 30, 1942, op. cit.

Here is the list of the corporations operating in Northern California and their parent organization:

Farm Corporation	Permanent Parent Company	Membership of Parent Company
Deciduous Farm Lands Inc.	Pacific Fruit Exchange	Calif. Deciduous Growers League
Loomis Agencies	Loomis Fruit Growers	"
Fruit Farms	Calif. Fruit Exchange	"
Placer Farms	American Fruit Growers	"
Calif. Fruit Cannery	Calif. Packing Corp. Cannery	League

Farm Corporation	Permanent Parent Company	Membership of Parent Company
Northern Farms	Nash de Camp	?
Tokay Inc.	S. A. Gerrard	?
Placer Orchards	Heggblade Marguleas	?
Florin Farms	Florin Fruit Growers Assn.	?

check!

These farm corporations proved to be the headache of FSA and it is only fair to say that WRA inherited that headache. The Farm Corporations even failed to keep a high level of agricultural production - a goal so dear to the hearts of the authorities. Indeed, it appears that their operations were far from being efficient. The Director of Florin Farms Inc. confessed that "the crop has turned out to be approximately half of normal,"¹ and the Director of Placer Farms Inc. explained that

1. Feil to W.L. Phelps, November 25, 1942.

"evacuation came at a time when irrigation and spraying was necessary and at the time the fruit there was marketable, and there was such a shortage of labor that it caused a big loss [of production]"²

2. Conference of Fruit Shippers and Cannerymen, September 28, 1942, Minutes, p. 11.

Formally, however, FSA could say that almost all evacuee farms in the Placer-Sacramento area would be operated to the satisfaction of everybody.

But not only did the Farm Corporations fail to operate at capacity, they passed all the risks of operation to the Japanese farmer.

Indeed, in spite of the fact that Japanese farmers had to face all the hardships of evacuation and relocation, they had also to sustain losses on the farms which they had been forced to leave. Yet Fruit Companies had a marked advantage over individual operators:

(a) As the FSA report puts it "they were intimately acquainted with the farms and their problems" and hence were "in the best position to undertake continuance of operations."¹

1. FSA Report p. 18.

(b) They had obtained liberal loans from the government and their financial position was not endangered by the special Farm Corporations organized for the purpose of taking over evacuee farms.

(c) The agreement called for full and complete utilization of evacuee farm machinery at no cost to the Corporation.²

2. As revealed by the WFA-30 schedule

(d) In most cases a 50/50 agreement was concluded with the evacuee, thus the Corporations shared in the profits.

(e) The government loan was assured by a ^{chattel} mortgage on the ¹⁹⁴² crops belonging to the evacuee.

Thus Farm Corporations were allowed to operate evacuee farms free of risk - in most cases the risk being solely shouldered by the helpless evacuee. In a capitalistic society it is a privilege - almost a monopolistic privilege - to operate

According to
help this is
not enough

without risk.

An examination of the financial statement for the 1942 season of one of these Farm Corporations is very interesting and revealing.¹ Thus, notwithstanding the fact that profits

1. I hope to get more data on the other corporations.

were divided "equally between the company and the owners of the respective orchards,"² Northern Farms charged \$7,209.86 for

2. Memo to file, V.L. Furth, September 11, 1942

supervision and overhead, some of which obviously accrued as income to the officers of the parent organization, Nash-de-Camp. At the same time, all advances made by the shipper prior to evacuation were automatically reimbursed in full, and Nash-de-Camp charged through the convenient Northern Farms Inc. \$20,602.64 for the "commercial packing of fruit." All sorts of miscellaneous expenses were charged, including \$1,437.76 for "tractor hire." This last figure is indeed quite high for tractor hire, ^{in view of} ~~besides~~ the fact that evacuees made available to Northern Farms the use of their farm equipment. Out of a total expenditure of about \$75,000 only \$24,000 went into labor payrolls. It is not astonishing to find ~~only~~ under these conditions that only 5 of the 19 ranches operated by Northern showed a return of \$2,017.19 while the 14 others showed a loss of \$8,619.33. Florin Farms operated under the same conditions, and out of 39 ranches operated by that corporation, only 4 showed a return of \$688.24, while the 35 others showed a loss of \$17,322.18. It appears that ~~the~~

this ↓ not
yet conclusive
it might
well be
miscellaneous

profits were divided 50/50 between evacuees and the corporations, and losses were sustained in full by the evacuees.¹ It appears,

1. More data to come

furthermore, that evacuees were unable to collect money coming to them, either because of profitable operations on their ranches or because of money due them by the Farm Corporations for expenses incurred prior to evacuation. FSA claimed a first lien on all the returns of the farms as a security for the loan made to the corporations. Thus "FSA which has the responsibility for collecting WFA loans has refused to allow Florin Farms Inc. to make any payments to the evacuee land owners until such time as the WFA loan is fully paid up."² A similar situation arose

2. V.L. Furth to E.G. Arnold, WRA, April 19, 1943.

with the Northern Farms Inc., another corporation which was unable at the end of the 1942 crop season to repay in full its loan to the government. Thus, the Japanese farmers were caught in a trap; if, by a miracle, the Farm Corporations had managed to show a profit on his ranch, FSA would step in and prevent payment until WFA loan was fully repaid.

By the end of the 1942 crop season, most fruit shippers and canners refused to operate for the next year unless they could be financed by the government under the same conditions. The Deciduous Fruit League went into action again but this time to no avail, the pressure of evacuation no longer existed. The

position of FSA was clear: they would not finance the 1943 crop season.¹

1. Davidson to Wooden of the California Fruit Exchange, September 16, 1942; and Wooden to Davidson, September 17.

At the October 1, 1942, meeting of the USDA Board, Mr. Hollenberg pointed out "that the funds made available by the Army to FSA were advanced in the interest of national defense as a means of meeting an emergency situation and now that the Japanese are out of the area they are no longer concerned. He also stated that the corporations organized to operate these Japanese properties are subsidiary corporations to existing successful corporations formed for the purpose of securing government money without risk for these particular operations, and that FSA has no responsibility or authority for the continuation of these loans."²

2. Minutes of Meeting

The FSA report ^{had} confessed that even though "continuity of agricultural production had been insured," this, however, was only "a short-run accomplishment," and there was "no assurance that some future shifts in land use and type of crops would not occur."³ They did occur and affected seriously production and

3. FSA Report, p. 32

returns on evacuee farms, thus hitting hard the evacuee farmers interests and especially those of the small evacuee farmer and tenants.

On the other hand, WRA "did not choose to go into the loan/^{ing}or loan collecting business."¹ As a result, most fruit

1. Conference, September 28, 1942, p. 2.

shippers and canners concerned dissolved their parent organizations. As a corollary of this action, a number of these farms, especially in Placer County, were abandoned or foreclosed.²

2. More data to come here. Might be able to get more information from the Sacramento WRA field office.

"The burden of finding new operators fell upon the newly created Evacuee Property Division" of the WRA." After some searching, excellent prospective operators were discovered among a group of San Francisco Chinese, many of whom were familiar with farm operations of that particular area. With the cooperation of the manager of a Chinese radio program through which announcements were broadcast soliciting Chinese with agricultural experience to take over the operation of these farms, and with the cooperation of the various fruit shipping companies leasing arrangements were eventually made for 58 farms. Nearly all of these farms are still being operated by the same operators, the evacuee owners are receiving satisfactory returns, and the farms are maintaining a current tax basis.³ But according to a statement

3. WRA Evacuee Property Office Report 1943, p. 7-8.

made by R.T. Robinson at the USDA War Board meeting of October 1, 1942, the move of the corporations affected "some 200 farms located

*This does not
check what
Phelps told
us.*

*Quotes
begin
where?*

largely in Placer County" so that really the Chinese only took care of one portion of these farms. What happened to the rest of these farms remains to be investigated.

The explanation of the failure of Farm Corporations as offered by the Directors of these Corporations, the WRA Evacuee Property Division, and other government agencies, is invariably the same: Japanese farms in the Placer-Sacramento area can only be successfully operated by family labor, and no commercial operation of these farms can be successful, especially in time of war when the cost of farm labor is so high. This undoubtedly was true for a number of sub-marginal Japanese farms. But if this was really true for all evacuee farms in the area, then officials of the Fruit Shipping must have been either blind philanthropists or they must have lacked all the knowledge and wisdom which FSA and the WCCA attributed to them. And if so, how could the evacuation authorities boast of such perfection in the transfer of Japanese farms and how could they maintain that evacuation could not affect production on Japanese farms?

The explanation lies in another direction.¹ ~~(X)~~ The

1. The operation of Farm Corporations was plainly described as "scandalous" to me by an officer of the WRA Evacuee Property office.

Fruit Shipping and Canning Company protected their vested interests at the expense of evacuated Japanese farmers and agricultural production. And it was only when their interests

coincided with those of the evacuees that the latter made any gains.¹

1. This is to be shown in greater detail when more data are available. I would also have to cover the reactions of evacuees to the Farm Corporations.

Comments: D.S. Thomas. Get more information on Farm management costs in order to be in a better position to analyze the ~~part~~ harvesting, shipping costs of the Farm Corporations. Do not assume without proof that these costs were above average, and that they benefited the Fruit Shipping C^os.
R.L. Adam.

Prodzins:

First phase: attitude of other farm interests e.g. Stobel (Hearings Part 29.)
Associated Farmers.

Loan of FSA guaranteed by assets of all farmers.