

RECOLLECTIONS III

1970 - 1990

BY

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Chapter 1 – A new beginning

Being placed in total charge of the Trading Division certainly produced some major challenges. A large part of our business was in Central America where John's fluency in Spanish had been a real asset and I did not speak Spanish. I had picked up enough on my travels so that I could tell a cab driver where to go and I could handle restaurant menus fairly well but that was all. Also, as is so often the case in business, personal contacts were very important. I had met a number of the people we traded with in Central America but with the exception of a few, I was not particularly close to them.

One of the nice things was that I moved into the corner office on the 16th floor of the Alcoa Building with a perfect view of the Bay Bridge connecting San Francisco and Oakland. We had moved to that building several years earlier and watched the Embarco Center buildings being constructed around us.

Just to recap the scope of the Trading Division activities let me list some of the things we were able to do. We bought cotton, sesame seed, cottonseed meal from growers and processors in Central America and shipped it to Japan and Europe. This was a major part of our business. Some of that activity involved crop financing. Additionally, we imported into the U.S. frozen meat from Australia and New Zealand, canned goods from Korea and Taiwan and fishmeal from South America. We exported tallow to Japan, Philippines, Italy and Central America; soybean meal to Australia, peanuts for crushing to the Netherlands. As you can see everything was agriculture and food related and we constantly looked for new products and new markets.

It was most important that particularly people in Central America did not think that we were going out of business so it was agreed that Oliver Wolcott, the company President, and I would call on our major customers and contacts in Central America. In April 1970 we flew into Guatemala City and then went on to San Salvador, Managua, San Jose Costa Rica and Panama. Wolcott supported me in every way possible during this rather extraordinary trip. In many cases he remained in the background while I carried on the conversations but in other instances he stepped up to the plate in his capacity as President. Overall we achieved our goal of showing people that John's departure did not mean that we were going out of business. In later conversations with our important contacts in that area I learned that they had not really been surprised by John's departure as his alcohol problems were fairly well known in the area.

At that time we were dealing with the outcome of a bit of too aggressive crop financing in Guatemala. A cotton planter had sold us his entire crop for end of season delivery and we had given him a substantial cash advance secured by the crop itself and two pieces of property that he owned. One was a large piece of land just outside Guatemala City and the other a building in a nearby smaller town. He sold his crop to someone else and thumbed his nose at us which forced us to start foreclosure proceedings against the two properties. Just think, a U.S. company foreclosing on a local farmer in a small town Guatemalan court! You are lucky if you come out of that one alive. It was at that stage that I took over from John Glascock so there was not much I could do except just watch everything unfold.



Rodolfo Kong, Otto Tinschert (our local manager) and Dan on foreclosed Cordero land.

We obtained title and were able to sell the land fairly quickly. The building was another story. It was vacant, not in very good shape and had been used as a “house of ill repute”. We eventually almost gave it away. We did not come out very well in that transaction. Lessons learned!

In November 1970, at the request of the company, I attended a management course of several weeks in Santa Barbara. I think that more than anything else I learned how other people saw me and my way of handling things. They said it was quite obvious that I had been raised in a military family because I was strict in terms of what I expected from my employees and others. In that sense it was a positive experience but it would have been even more useful if it had included some people in a business similar to ours.



The year 1970 had been hectic but it had put an end to having to deal with John Glascock’s drinking problems. My job was now to see if I could make the Trading Division grow into a more solidly based business rather than one that constantly incurred market risks in markets that we could not control. The Trading Division staff definitely supported me but our key traders, who were mostly older than I, took a wait and see attitude.



Christmas 1970

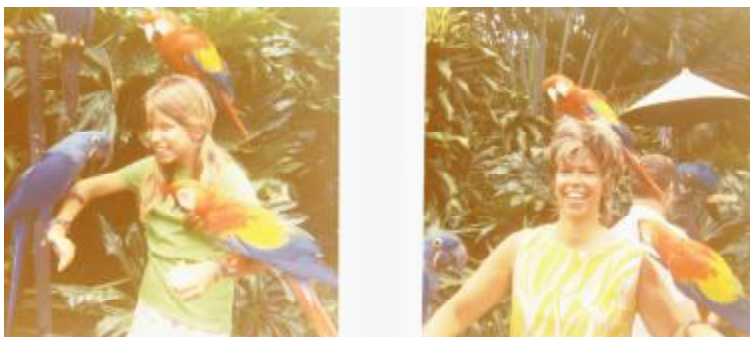
I have really not said anything about my salary and bonuses. As I worked my way up in the organization my salary kept pace with my progress so that I never had to ask for a raise but my salary always remained modest. My promotion to Division manager was not even accompanied by a salary increase. We did have an incentive plan that was based on the concept of return on capital employed in the business. If we did well, the pay off could be very interesting. As an example, in the 1960's there was a year in which my bonus was equal to my annual salary.

One of the problems I had with our traders was that they really did not seem to understand the concept of return on capital employed. That was probably because they had not had any education in finance. They were satisfied if they could pick up a small margin on a transaction rather than look at it from a capital employed point of view. As an example, they kept overlooking payment terms we received from our suppliers or payment terms we gave our buyers as factors in the profitability of transactions.

Along with being the manager of the Trading Division came the function of President of Agrovita S.A. in Guatemala City and Agrovita S.A. in Managua, Nicaragua. It did mean that I had to deal with local policy, budgets and personnel in those two countries. I also had to continue the overall contact work in that area since none of the traders except our cotton trader had been in Central America. So in the spring of 1971 I made yet another swing through Central America. While the two Central American offices had originally been created to handle only our cotton business, I intended to make full use of them with respect to other commodities.

So they were now also required to maintain contact with all our suppliers and buyers in their areas, not just the ones in the cotton business. This also meant that I now had a desk at both Agrovita offices and that the local managers would take me wherever I needed to go. This meant that travels were a bit easier and could be somewhat less frequent.

In the summer of 1971 Beverly and daughter Jan went to Hawaii where Barbara, Beverly's sister, and her husband were stationed with the Air Force.



In September 1971 Peter started high school and Jan started junior high. Fortunately the San Carlos High School was within walking distance from our house.

Later that year Beverly came with me to Mexico City where we met with several of our Central American trading contacts as well as our Agrovita managers.



At the pyramids outside Mexico City.
Beverly with Karen and Tom Stewart,
Manager of Agrovita S.A. Nicaragua.



1971 with our first cat

During the summers Peter and I frequently went camping and fly fishing in northern California and southern Oregon. We explored many areas. It was most fortunate that Peter was an accomplished boy scout so that he knew how to set up camp and do what was necessary to keep things going. Sometimes Jan joined us and on one of those trips she caught her first trout.



Many summers were spent at Lake Almanor, initially renting a little cabin and later on staying in better motel type accommodations. When possible we would be there at the same time as the Blok family who had originally introduced us to this beautiful lake. At times fishing could be good there also.



The Trading Division had a company car but I had assigned that to the cotton trader who along with one of the other traders came into the office very early each morning because of the time difference with New York and Central America. Since my hours were becoming more erratic I could no longer use the commuter train and therefore in January 1972 I bought a Pinto for my commute into the city and I sold the old vehicle that I had used to go back and forth to the train station in San Carlos. Eventually I negotiated a company car for me. A four door Ford sedan with paid parking in the building across the street from my office and a gasoline credit card. As I was allowed to drive this vehicle also for personal use I no longer needed the Pinto which was then passed on to Jan.

A Food Products Department had been operating for years more or less on its own. In early 1972 I was asked to merge that Department into the Trading Division and that therefore gave me yet another activity to keep track of. They primarily imported canned mushrooms and other canned oriental products from Korea and Taiwan. So in October 1972, the manager of that section and I flew to Korea to meet with our mushroom packers and then went on to Taiwan to meet with other packers there. On the way home we routed ourselves through Hong Kong so that we could recover a bit from a very exhausting time in Korea and Taiwan. It was necessary for us to go back to Korea again in December of that year, to try and finalize contract arrangements and, more importantly, agree on financing. In the end it came to nothing as we declined to accept the terms they insisted on which included one major item that was in conflict with U.S. Customs regulations. What they wanted us to do was to take one or two suitcases full of large denomination U.S. dollar bills into the States. Can you just imagine trying to explain that to a customs inspector at San Francisco airport?

I was barely back from the Far East when the news reached us that on December 23, 1972 there had been a 6.2 earthquake in Managua, Nicaragua. Naturally we were extremely concerned about our employees at Agrovita and our trading friends in the area. Tom Carney, our cotton trader, and I were finally able to get a flight on January 19, 1973 which took us into Managua after a stop in Guatemala City. There was heavy military presence at the Managua airport and we were questioned at length why we were there. Heavily armed military patrols were very evident day and night. As virtually nothing was functioning in the city, we stayed at our manager's house, which had survived the earthquake. During the evenings we discussed what we had accomplished during the day, which was pitifully little, and what we would try to do the next day. As there was still looting going on after dark, and shots could frequently be heard during the night, a loaded revolver was always ready on the coffee table. A day or so after our return home on January 23, 1973 Tom Stewart, our manager, was held up and robbed down the street from his house. He escaped unhurt but his pockets were emptied. Our Agrovita office was totally destroyed and with it all of our records and cotton samples. None of our employees were killed or badly wounded but living quarters of several were badly damaged. The destruction in Managua was incredible. Many of the houses had been built of unreinforced brick or abode blocks while others were wood. Many burned down or fell down or had become uninhabitable. Some major structures survived such as the larger bank buildings but all were damaged to one extent or another. By the time we were there, about three weeks after the event, several areas had been totally closed off with wire fencing while others had already been bulldozed. My photos really tell the story.



Downtown Managua



What's left of our Agrovita office



Speaks for itself



Collapsed multi story apartment building where many people were killed and bodies not yet recovered.



Downtown residence



More of the same

In June 1973, while on a three day fishing trip with a friend from my office I developed a pain in my back, or at least that is what I thought it was. Once I was home I went to see my doctor and it turned out to be a case of very painful shingles which kept me home for quite some time while taking pain pills.

Trading conditions became more difficult in 1974 and that usually causes an increase in contract disputes. In March of that year I decided that I should fly to the Netherlands to try and settle a dispute concerning a major cotton contract. To the Dutch cotton buyer I pretended to be in Holland to visit my family and making use of that to sit down with him. In reality it was of course the other way around. It was vital that we find a solution before the matter would go to a highly prejudiced local arbitration panel. I succeeded in settling the matter without local arbitration but the cost was considerable. While there I did have a few brief visits with my parents and a few relatives before I needed to fly back. Unfortunately, two traders resigned during that year which added to the difficulty of generating acceptable profits. The competition picked them off because we had trained them so well.

In an effort to improve my personal contact with major customers in Central America I took Beverly with me on a swing through Guatemala, El Salvador and Nicaragua in April of 1974. We were well received in private homes in all three countries. It was about 16 months since the Managua earthquake but very little had been rebuilt. Fortunately the one and only hotel that had survived the earthquake had been repaired so we were able to stay there. Even the pool was open so when I had meetings Beverly would sit by the pool and read. It is there that she saw Julio Iglesias, the well know singer, at the pool. He would apparently appear somewhere in the area that evening but she did not learn where.

One event sticks in my mind. We were invited to dinner at the home the Chamorro family in Granada, Nicaragua. From the outside it seemed that nothing much had changed in that town for several centuries. Everything was hidden behind walls until our car, driven by our local manager Tom Stewart, came to a high door that slowly opened for us. Inside was a beautiful garden with fountains and shady places to sit. The home itself was in typical Spanish style and furnished accordingly. We were served a beautiful dinner by a number of servants. The whole atmosphere and the feeling of the place were incredible.

I went down to Guatemala, El Salvador and Nicaragua again in November 1974. It was harvest time and therefore very busy and lots of decisions needed to be made. I was glad to get home again although the timing, early December, was far from favorable as everyone was thinking about Christmas and I still had my head full of business stuff.

On page 53 of Recollections II I wrote: "Beverly had been depressed over the untimely death of her father in 1964. My long hours in the office and lengthy and frequent overseas trips had been difficult for her as it had left her alone a lot of the time to raise the children and deal with all the household matters. And so she had turned more and more to alcohol to try and find relief. However in March 1968 she took the courageous step of joining AA."

That step turned out to be the first of a number of unsuccessful steps in her struggle with alcoholism. During Beverly's illness times were tough for our entire family. Home life was fractured as a result of her bad decisions and my extensive travelling. A few times she had tried to stop but it did not stick. But by December 1974 she took that giant final step and remained a member of AA for the rest of her life. It took time to repair the damage done to our marriage but since I still loved her I supported her in every way possible. Substantial support for the rest of her life also came from several friends she made in AA. I am still in touch with some of them and I will always be indebted to them.



Peter and Jan with their grandmother Dobbyn

Peter graduated from San Carlos High school in June 1975 and was accepted at UC Davis where he started in September with mechanical engineering as his major. Jan graduated from the same high school in 1976 and started her career with San Mateo County a few years later.



Peter Senior Ball 1975



Jan Graduation 1976

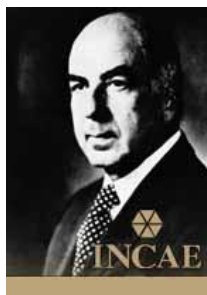
Around this time Beverly ran into some severe breathing problems. At first we thought it might be asthma from which she had suffered as a child but it turned out to be a collapsed lung which required major chest surgery to be repaired. Fortunately it all turned out well.

In the summer of 1975 Peter and I made an ambitious plan to go camping and fishing at Lower Deadfall Lake at 7,000 feet elevation in the Shasta National Forest. It involved back packing in and so there was nobody else there. We set up camp and caught trout in the lake and hiked to nearby lakes where we were also successful.



One of the organizations in El Salvador with whom Balfour had been doing business for many years was H. de Sola & Sons. The de Sola family originally came from Spain to the Netherlands in the 16th century and eventually settled on the Dutch island of Curacao in the Caribbean, probably in the 18th century. They then moved to El Salvador in the late 19th century, where they had coffee plantations and over time added a long list of activities including a soap factory, a cottonseed oil mill, a sugar mill and a number of consumer products. During the time that I was involved there, the enterprise was being run by Don Francisco de Sola. One brother was the Dutch Consul General in El Salvador; another one was an architect. In addition to their activities in El Salvador they had an company in New York City which was involved in general import/export business and was run by Frank de Sola. It was undoubtedly also being used to route through it some of their El Salvador business. Whenever I was in San Salvador I would make it a point to call on Don Chico, as he was known. Actual business between our firms was conducted with their general manager Doctor Giovanni Paggi.

Francisco de Sola was a very well spoken and interesting person. In 1963 he took a leadership role in the establishment of the INCAE International Business School. At that time he was named Chairman of the Administrative Committee, a position he would hold for 20 years. The school was sometimes referred to as “Harvard South” or “Harvard Sister School” as INCAE adheres to the Harvard case Study Method and curriculum. It now has two campuses, namely the Francisco de Sola campus in Nicaragua and the Walter Kissling Gam campus in Costa Rica.

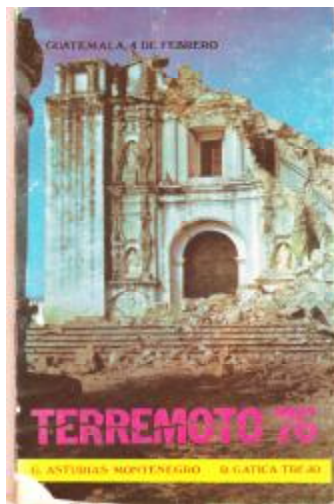


Francisco de Sola

He would look me up whenever he was in San Francisco which was fairly frequently. During one of his visits he took me completely by surprise with the question if I was interested in moving to New York to run their business there because Frank de Sola was going to retire. He was very serious about this and explained that the family, many of whom I had met, had agreed that I would be an excellent choice for the job. He asked that I think about it and let him know.

While I was really flattered because it was undoubtedly a very well paying job, I simply could not see us moving back to New York which we had voluntarily left in 1959. Our kids were not totally out of the house yet and Beverly, whose mother still lived in Los Altos, had been sober only a year or so. Another consideration was the question of how I would fit in a family owned and run organization without being able to speak Spanish. They were all educated in the States and spoke perfect English, but still. So after sleeping on it a while I wrote Don Chico a nice letter with our decision that for family reasons we wanted to remain in the Bay Area.

On February 4, 1976 we received a message that there had been a 7.5 earthquake in Guatemala. Damage was widespread but neither our employees nor our office had any major damage. I was there on March 21 and saw extensive damage in the older parts of the city as well as in the outlying villages in the mountains. Some 20,000 people were killed.



This one and the one in Managua in late 1972 were major earthquakes. There are very frequent minor earthquakes in that part of the world that everyone just seemed to ignore. Many times a minor quake would wake me up in the middle of the night, mostly in El Salvador. In every country in Central America there are active volcanoes. Particularly at night in Guatemala you can usually see the glowing lava at the top of one of the volcanoes.

One further comment about Guatemala. There were a substantial number of so called terrorist in that country. Perhaps there still are. This combined with an ineffective corrupt government created a dangerous situation with rampant kidnappings and violence of all kinds. I was simply not used to all the weapons that were on display there. I attended business meetings where heavily armed private guards were not just outside but even in the meeting room.

Often meetings would be arranged late in the evening and away from offices and residences. A car with an armed guard would then pick me up at my hotel and later bring me back. Some business people I knew had police sirens mounted on their cars so that they could trigger them as an alarm in case of trouble. Some of those vehicles were more like tanks with heavily armed guards.

Nicaragua was also going through turmoil. The dictator Somoza ran the country but that would change when the Sandinistas came to power. They were really no better and made foreign trade almost impossible.
