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Japanese company finds the right mix in Los Banos

By MIKE THARP

mtharp@mercedsun-star.com

LOS BANOS -- How's this for globalization?

A 112-year-old Japanese company's plant is run by a Portuguese manager born in Angola with a work force of Mercedians that ships 15 percent of its tomato products overseas, especially to China.

That's Kagome Inc., started here in 1990. It's a unit of Nagoya-based Ka-gome Co. Ltd., founded by Ichitaro Kanie, who planted the first tomatoes in Japan. Today its product line includes several kinds of antioxidant foods, products containing lactic acid bacteria to help stimulate the immune system and vegetable drinks laced with a dash of vodka.

In its Japanese plants and offices, the company stocks refrigerators full of Kagome products, and employees can drink them anytime for free.

The company operates subsidiaries in China, Taiwan, Portugal, Mongolia, Turkey, Italy -- and on the Westside of Merced County. That one is capitalized at \$15 million, according to Kagome's English-language website. The parent company employs some 2,000 people around the world and reported sales of \$2.23 billion and net income of \$27 million in its fiscal year 2009.

Luis de Oliveira is president and chief executive officer of the Los Banos facility and has been there 17 years. Before that he spent 16 years at Foster Farms. He and his family came to the Central Valley, where his mother had a sister, after civil war broke out in Angola in 1975.

He's fluent in Portuguese, English and Spanish. Besides the 110 or so employees in Los Banos, he's responsible for 135 more at a Kagome plant in Osceola, Ark.

The 175,000-square-foot plant in Los Banos turns out sauces for pizza, marinara, pasta and barbecue, made with mostly Central Valley-grown tomatoes. The sauces are shipped in flexible vacuum-sealed pouches the size of a hard-backed book to Kagome's major customers -- Yum Brands, Domino's, Applebee's and Subway.

Products are shipped throughout Merced County and the Bay Area, but you won't find the Kagome brand on retail shelves because they're aimed at big buyers. And the biggest of all is China, which gets the dragon's share of the 15 percent of Kagome products exported from Los Banos to overseas markets.

The plant runs three shifts, 24/5, because the boss wants his workers to be able to spend time with their families on weekends and come back to work, refreshed, on Monday. Four Japanese work in the facility -- the chief financial officer, the raw materials procurement manager, the advertising manager and the comptroller.

Kagome's lobby is lined with Japanese touches -- a miniature sand garden, a multi-paneled floral screen, a tea cup collection and a clock turned to Tokyo time. De Oliveira meets with all employees three times a day, an American adaptation of the Japanese style of MBWA -- management by walking around.

He operates by consensus, which the Japanese call *nemawashi*, or root-binding. It takes longer, he admits, but once a decision is made, all hands are on board. Early in his dealings with the Japanese, someone told him two words that have helped him understand their culture and traditions: patience, intuition.

Kagome, like several other Japanese companies based in the Kansai Plain of Japan -- Osaka, Nagoya -- was founded by a man with a strong current of corporate citizenship coursing through his veins.

The most famous, Matsushita Electric Industrial Co., known around the world today for its Panasonic brand, still tries to uphold the philosophy of its founder, Konosuke Matsushita: "Recognizing our responsibilities as industrialists, we will devote ourselves to the progress and development of society and the well-being of people through our business activities, thereby enhancing the quality of life throughout the world."

Likewise, Kagome expresses corporate beliefs that may sound odd to Americans used to the Gordon Gekko "greed is good" creed of American industry. Here's Kagome's: "We are thankful for nature's bounty and for our relationship with people. We respect natural ecosystems and value human sensibilities. Through nature's bounty we endeavor to create rich value that is ahead of the times and to contribute to consumers' health and well-being."

The Los Banos operation practices that preaching. It contributes to various parks and recreation departments and kids' sports teams and donates its sauces to food banks and nonprofits all over the Valley. "Our main goal is to make sure people are safe," says de Oliveira, "and then the safety and quality of our products."

He himself is president of the Portuguese Education Foundation for Central California, which gives college and university scholarships.

A walk through the plant one recent morning begins with the enticing odor of marinara sauce. Many batches are being made in 10,000-gallon vats, and the automated assembly lines, cooling tanks and packing are backstopped by workers wearing coveralls, nets for their hair and facial hair, and gloves.



Los Banos Enterprise

GENE LIEB/LOS BANOS

ENTERPRISE Kagome

President/CEO Luis de Oliveira stands next to box of sauce as it's headed to the sealer August 29, 2011 in the Los Banos plant.



In one room, off the main floor, two or three people taste the product from time to time to make sure it's not too salty or otherwise below par. The sauces are customized for specific customers, so it's far from a cookie-cutter operation.

On walls hang several Dell monitors showing exactly how much sauce is being made, how long it's taking and other information to ensure the Japanese mantra of "total quality control."

There's even a "rejector" machine over one line that removes questionable pouches of sauce.

Kagome uses the just-in-time inventory system popularized by Toyota to keep costs down for raw materials on hand, but it does have about 3½ months worth of product stored in boxes ready for shipment.

Even with the Great Recession and its impact on the food and restaurant industries, de Oliveira says the local Kagome operation "has been able to maintain or even grow our volume slightly."

The Japanese kanji, or characters, that make up Kagome mean "woven bamboo pattern," a nod to the yin and yang of the Confucian mind-set. It's visible on the tomato in the company's logo.

On the plains of Los Banos, with the coastal range visible on clear days, American and Japanese customs have blended to form a rich new sauce.

Executive Editor Mike Tharp can be reached at (209) 385-2456 or mtharp@mercedsunstar.com