



A.P. Giannini: His Legacy to California Agriculture.

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1.Introduction:

The Giannini Foundation of Agricultural Economics resulted from a gift of \$1.5 million to UC by the Bank of Italy/America, on behalf of its founder Amadeo Peter (A.P.) Giannini.

We celebrate that gift to-day but what date should we be celebrating?

-Conception-1926 when Bank of Italy Board decided A.P.should get share of profits? Or 1927 when A.P. asked them to give it to UC,or

-Birth- 1928 Board decides to give 1.5 million and transmits by letter dated Feb. 10,1928 and accepted by the Regents on Feb.14, 1928,or

-Early Steps- Appointment of first Director in late 1928 or the completion of Giannini Hall in 1930, or



1. Introduction cont.

-up and walking- 1930/31 academic year-Giannini Library opens, early staff hired and a research program laid out.

Decided to celebrate all of the above and therefore Academic Year 2005/06 is the 75th anniversary Celebration to be held in two parts.

-Part one: Completion of Giannini Hall, Berkeley Campus, Sept. 2005,

-Part two: Library open and program under way, Davis Campus May 2006.

Surprised by how many asked, **who was A.P.Giannini?**

Thought everybody knew he was the founder of the Bank of Italy in 1904, which became the Bank of America in 1930, and by October of 1945 was largest bank in the world.



1. Introduction cont.

Both Giannini and the Bank of America had a huge impact on California's development and especially California Agriculture.

“was a visionary whose innovations in banking built the State of California and transformed the finances of the common person” Evans p.259.

This paper focuses on A.P.'s roots in agriculture and the commodity business and his special commitment to help small farmers.

Next paper focuses on origins and evolution of the Giannini Foundation of Agricultural Economics.

Afternoon Papers evaluate the performance of the Foundation against the original objectives spelled out in letter of February 10. 1928

The celebrations end with a panel which looks ahead to future challenges



2. A. P. Giannini-Early Years.

Much has been written by Historians about A.P.Giannini and some are in the audience- this is a real challenge for us.

Therefore as protection we have relied on, and quoted liberally from four historical sources – let me give you a brief reading menu if you want more.

- most detailed-554 page **Biography of a Bank** by James and James, published in 1954 –commissioned by BofA.

- by independent historian, **A.P. Giannini: Banker of America** by Felice A. Bonadio, former UC Santa Barbara Prof. 303 pps of text, 102 pps of notes

- compact 150 page business history by U of New Mex. Historian, Gerald Nash, **A.P. Giannini and the Bank of America** published in 1992.

- Short but excellent chapter in Sir Harold Evans recent book – **They Made America**, “Amadeo Peter Giannini: the big man on the side of the little man: the people’s banker” nns 17.2004.



2. A. P. Giannini-Early Years-cont.

Everyone agrees Giannini made enormous contribution to California Dev.

Was a Visionary, confident analyst, consummate salesman, fierce and unrelenting competitor, and committed to serving the average man.

---payoff was the successful deal not making money,

---Big and handsome physically and brilliant and overpowering intellectually,

---was a risk taker but an intuitive analyst before he made the plunge,

---very willing to invest in public goods projects,

---threw life lines to industries in trouble, particularly in agriculture

---major financier of WW II industrial expansion in California.

But never intended to be a banker- got there is a peak of anger-**“I might never have gone into the banking business if I hadn’t gotten so damn mad at those directors.”** A.P.Giannini, quoted in Bonadio

But ahead of story- A.P.’s roots were in agriculture and the produce business.



2. A.P. Giannini- Early Years-cont

First son of Luigi & Virginia Giannini born May 6, 1870 in San Jose

Luigi had prospected for gold in 60's and went back in 1869 to marry

A.P. traveled over Central Pacific RR in Sept 1869 a passenger in his mother's womb.

Luigi operated a boarding house in San Jose and prospered enough to buy a 40 acre farm at Alviso in 1872.

Grew fruits and vegetables selling them to commission houses in SF

Father shot and killed by worker in dispute over two dollars in 1876

Virginia left a widow at 21 with two sons and pregnant with a third.

Continued to operate farm and sell in SF (often taking A.P. with her) met and married a teamster Lorenzo Scatena in 1880.

They farmed for 2 years before Lorenzo went back to hauling, first in San Jose and then moved to San Francisco in 1882.



2. A.P. Giannini- Early Years-cont

Lorenzo worked hard in Produce house and when denied the raise he wanted, Virginia encouraged him to start own business.

So **L. Scatena & Co** established with A.P. as a keen 12 year old observer

“A.P. soon found himself riveted much more to his father’s business dealings than to his schoolbooks.” (Nash p 10)

When A.P. was 13, Scatena was surprised when he started getting offers from unknown farmers for him to sell their produce.

To practice his penmanship, A.P. had written letters to dozens of new farmers promising **“honest prices on the barrelhead and great service.”**
A.P.’s first successful business venture.

As A.P. became more attracted to the business (and less to school) Virginia asked Lorenzo to give A.P. a difficult task to discourage his fixation with business



2. A.P. Giannini- Early Years-cont

“Scatena offered him a gold watch for the first carload of oranges he could buy from a grower who was not a customer of the firm.” (Nash p 11) Lorenzo told Virginia it was a mission impossible. Three weeks later A.P. walked in **“... with a consignment order, not for one, but for two boxcars of oranges from the Santa Ana Fruit Company in Tustin.”** (Nash p 12)

A.P. recalled later **“I still have the gold watch Pop Scatena gave me... It reminds me that the only pleasure I had and the only pleasure ever wanted as a young boy was the reward and pleasure of a successful transaction.”** (Nash p 12)

The attempt at dissuasion obviously backfired and instead further fueled A.P.’s desire to join the business. Thus, in late spring, 1885, he dropped out of school to devote fulltime to work at L. Scatena and Co.

To appease his mother, he completed a 3 month course in accounting in 6 weeks and then went to work full time for his step-father, Pop Scatena



2. A.P. Giannini- Early Years-cont

Many more A.P. stories but little time-

- studied better ways to grow crops-became farm advisor to growers-peas
- in his travels sensed short crop of pears, unknown to Pop signed up all the pears he could find, there was a shortage and prices doubled.

“It was a big gamble, but I guessed right. I made \$50,000 for the Scatena firm with the deal.” A.P. quoted in Bonadio.

- At age 19 he was 1/3 partner in firm, 1/2 partner in 1891 at age 21

- Married Clorinda Cuneo, daughter of North Beach Real Estate magnate in 1892.

- “By 1899 L. Scatena and Company had become the largest wholesale firm in produce on the San Francisco waterfront and was prospering as never before.”**

- in 1901 A.P.retires from produce business and sells share of Scatena firm



2. A.P. Giannini- Early Years-cont

“Our firm had absorbed or driven out of business all the big commission houses. I suppose that is why I quit the produce business. There wasn’t anyone around to fight me anymore.”

(A.P.quoted in Bonadio p 22)

We have focused on this period because, while A.P. found farming too boring, he respected farmers and in the produce business he learned about the “new” California agriculture that was about to explode.

- 1890 to 1930 transformation from dry land extensive to irrigated intensive
- Fruits and vegetables were the coming bonanza of California as irrigation spread rapidly.

A.P.’s knowledge of markets, of the need for quick strategic decisions in the perishable produce business, of production agriculture methods and of the essential role of credit, served him well in the Banking business he was about to enter.



3. Career Two: Real Estate

At age 31, he “...**decided to plunge into the precarious but potentially lucrative world of San Francisco real estate.**”

Rented desk space at respected firm and began to study business.

But fate intervened, Father-in-law Joseph Cuneo died leaving widow, 11 children and no will.

Rather than fight over division, hired A.P. to manage over 100 properties.

Another Cuneo role was as member of the Board of North Beach Bank .

A.P. assumed position on Board. He started coming to meetings with a wide range of proposed policy changes which his fellow directors ignored

The Bank president John Fugazi accused him of being “**A young, ambitious hotshot...infatuated with big plans and crazy ideas.**”

A.P. got angry, resigned and stormed down street to banker James Fagan

“**Giacomo, I’m going to start a bank. Tell me how to do it.**”



4. Suddenly, He's A Banker.

Opened Bank of Italy Oct.15,1904 and rest is history as they say.

He catered to ordinary folk-“**AP recognized that in the twentieth century large profits could be made by catering to the masses- to millions of people with modest means.**”

- believed banks should be a part of the community, open and accessible.

- each local branch had local advisory committee, local depositors were encouraged to buy stock in the Bank of Italy, and he hired local staff.

- Bank officers, including AP, sat in the middle of the floor where folks could walk in and talk to them, did not want his staff sitting in cages with bars.

After earthquake of 1906, spirited Bank's records and assets to home in San Mateo in bottom of produce wagon covered with crates of oranges.

Thus had real assets to reopen as one of the first, if not first, after quake
Prospered after quake, opened second SF branch 1907, branch in San Jose 1909, two more in SF 1910 and one in San Mateo, 1912.



4. Suddenly He's A Banker-cont

After listening to speeches by Gage and Woodrow Wilson commits to branch banking as the best way to serve small communities with big needs

1916, after establishing a beachhead in LA turns attention to Central Valley

“Giannini viewed the state’s vast sweep of heavily populated farm towns as a reservoir of untapped business...”

A.P. saw that rapid development required big capital and big institutions which small local banks couldn’t provide.

Branch banking was, to quote AP, **“... the only way that a small town can get the resources and the brain power and equipment of a billion dollar bank. And when they’ve got it, the town starts growing.”**
(quoted in Nash p 39)

The focus now shifted to agriculture.



5. A. P.'s Special Relationship with Agriculture.

First valley branch- Merced June 1916, advertised plenty of money @7%

Followed quickly by branches in Fresno, Modesto, Madera and Stockton.

Banks purchased in Santa Clara, Gilroy and 2 in Hollister

Also north to Napa and Santa Rosa (Sonoma Valley) and south to Ventura

On December 15, 1915, there were **seven** branches in **four** cities with aggregate resources of **\$22 million**.

On December 31, 1918, there were **twenty-four** branches in **eighteen** cities with aggregate resources of more than **\$93 million**. (James and James pp 81-82)

Traveled rural roads in his black Packard seeking new customers

Focused on small farmers. Merced Manager recalled-“***The branch grew because AP insisted we take care of the little farmer.***”



5. A. P.'s Special Relationship-cont

Also met seasonal needs of canners and packers,

Supported coops including new ones in Prunes and Apricots, and Raisins

“More than half of the \$74,737,000 that the Bank of Italy loaned in 1919 in the ordinary course of business went to farmers, packers and canners.”

Boom of late war years turned down and B of I helped prune and apricot, and bean Associations finance stock holding to prevent even lower prices.

Some recovery after 1921 and California horticulture expanded in the 20's:

Vineyard acreage +94%; citrus +25%; subtropical fruits & nuts +82% and temperate zone fruits +61%

Bank of Italy leading lender to Agriculture moving ***into first place as a banker of agriculture.***

It was during this period that the Bank of Italy started putting farmers on a budget, ***“a radical departure in that day.”***



5. A. P.'s Special Relationship-cont

“Behind every budget was a watchful Bank of Italy man – branch manager, field man or appraiser – to see that the borrower lived up to his contract, which incidentally carried with it object lessons in efficiency and farm management.”

Towards end of decade agriculture headed down into depression.

Foreclosures began to increase and commodity associations, operating with advance payments and stockholding, again were over extended.

A.P., working with two other banks, extended a lifeline three times to the California Associated Raisin company which was eventually reorganized into Sun-Maid Raisin Growers.

Helped finance crop reduction program for grapes in 1930,

Supported expansion of the dairy industry and extension of cotton growing



6. Late 20's and 1930's; Turbulent Times for B of I/BofA.

Much happening in evolution of what was becoming Bank Of America . A.P. made major foray into New York, created Transamerica Corporation and brought in new leadership, Elisha Walker. Most of holdings consolidated under name of Bank of America N.T.& S.A. in Sept 1930.

Almost lost the B of A in a major struggle with Walker and east Coast allies, won proxy fight in Feb 1932.

Despite supporting FDR got in a long lasting battle with FDR Treasury Secretary Henry Morgenthau. Fascinating stuff but no time here.

Agriculture in a state of crisis-mortgage defaults and foreclosures. Coops and marketing associations facing falling prices and surpluses.

While national AAA plow down and acreage reduction programs helped Mid-west farmer, did little for CA specialty crop producer



6. Late 20's and 1930's: cont.

For California, it would require a host of individual and special programs.

“As a young partner in L. Scatena and Company, A. P. Giannini had studied the individual problems of farmers, and had financed them. As a banker he had gone deeper into those questions than any other banker had done. In twenty years time he had had more than any other banker to do with the intricate financial structure of agriculture in California.” (James and James)

A.P.s incredible understanding of Cal ag, Mario's years of working with Agricultural credit plus hundreds of experienced employees, gave BofA an enormous capacity to work with agriculture

“The Bank of America was everywhere. It had the confidence of growers and processors. It had the experience to draw on to meet some very knotty situations. What it was able to do played a considerable part in the bank's rapid growth.”



6. Late 20's and 1930's: cont.

Four examples:

Prunes-overproduction, low prices, huge carryover-“***Under the leadership of Burke Critchfield and of experts from the Giannini Agricultural Foundation of the University of California (I hope this is us), packers and vineyardists set up the California Prune Pool, designed not only to divert oncoming surpluses into by-products, such as prune juice, but to enhance the fruit's reputation through a nationwide sales campaign.***”

Peaches- financed canning and storing 50,000 tons in 1938.

Wine grapes- helped finance “brandy reserve program”.

Irrigation Districts-Bank of America “...***played the biggest part of any outside agency...***” in seeking solutions to bond default crisis. ...***Its chief contribution was not in money, however, but in counsel and leadership in devising and putting through plans for refinancing.***”



7. Some Closing Comments.

Must end story of a remarkable man driven to realize his vision, come hell or high water.

Agriculture played a central role in the evolution of B of A and California.

A. P. knew agriculture from production to final market. He learned that as a intense observer on the farm and in the produce business.

His vision that he could best serve millions of ordinary “little people” by providing them with personal service, honesty and integrity.

We benefit today from his vision, his drive, and his entrepreneurial spirit and, I suppose, also from his aversion to making too much money.

I hope the rest of today’s program proves that we have justified his faith in economist’s abilities to help California agriculture.