



ALEXANDER & BALDWIN

HC&S to Manufacture New Export Product, Compak Panel Board

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Puunene, Maui, Hawaii – Beginning next fall, Hawaiian Commercial & Sugar Company will manufacture a new product, premium composite panel board, using bagasse (cane fiber), a byproduct of sugar production. G. Stephen Holaday, HC&S' general manager, signed an agreement today with Graham Heslop, managing director of Compak Systems, Ltd., the U.K. company that developed the technology to be used, to build a \$10 million facility that will produce Compak premium composite panel board. HC&S plans to produce approximately 15 million square feet of the board, worth \$8-10 million, annually. The board is a strong, light, moisture-resistant, environmentally friendly substitute for conventional particle board and medium density fiberboard (MDF) in a variety of applications. A new product for Hawaii, some will be marketed locally, but most will be sent to markets outside the state, making it a significant new export product for Hawaii.

"Manufacturing Compak premium composite panel board at HC&S is a 'win-win' situation for everyone," said W. Allen Doane, president and CEO of Alexander & Baldwin, Inc., HC&S' parent company. "HC&S wins, of course, because it will increase the value of its sugarcane crop. HC&S employees win because Compak composite panel board will help improve the plantation's competitiveness and viability. The community wins because the boost to HC&S' viability will help ensure that central Maui remains green and covered with cane for many years to come, which is good for local residents and the visitor industry alike. Hawaii wins because this new export product – and import substitute – helps diversify the state's economy, especially its traditionally weak manufacturing sector, while strengthening agriculture. And the environment wins because cane fiber is a renewable agricultural resource, and Compak premium composite panel board is much friendlier to the environment than competing, formaldehyde-based products."

However, Doane cautioned that for HC&S, a new player in an unfamiliar market, the initiative, promising as it appears, still carries risk – "We realize that the market will be the final judge of just how successful this new product will be."

HC&S will initially build a facility with two production lines. The plant will be designed in modular units, allowing for incremental expansion as the market grows. The automated facility will create more than 20 new jobs and will run continuously, 24 hours a day, seven days a week. Occupying approximately the area of a football field, it will take up about half of the existing sugar warehouse at Puunene.

Compak Systems developed the technology, first introduced in 1990, that will be used in the new facility. It is the first process designed to produce an effective alternative to wood-based panel products. There are presently 16 Compak board plants around the world, of which four (two in the Philippines, one each in India and Indonesia) use bagasse as their raw material. An additional bagasse-based plant is in the start-up phase in Louisiana. Compak composite panel board made with bagasse is stronger than boards made from wood chips. Its polyurethane binding agent (rather than the less environmentally friendly formaldehyde, which is widely used in plywood, particle board, and MDF) gives Compak composite panel board much greater moisture resistance, makes it easier to cut and machine cleanly, and helps it hold nails and screws more tightly than competing products. The flexible Compak technology can produce panels to a wide range of specifications.

Compak premium composite panel board has many applications. It can be used in the fabrication of cabinets, furniture, laminated products, shelving, store displays and industrial packaging, in construction, and in manufactured and mobile homes. Compak composite panel board is especially valued in applications where moisture resistance is important. There is also a retail market for home improvement and other projects. HC&S' board will be marketed by Panel Source International (a division of Marketing Results, Inc.), of Alberta, Canada, an international distributor which has specialized in panel board sales, marketing and consulting for over 20 years.

"The production of Compak premium composite panel board is a significant and strategic initiative for HC&S," Holaday pointed out. "It means having a new, high-value product that is independent of, but complementary to, HC&S' core sugar business and that enhances the value of our crop. It helps move us toward our Project 300 goal of improving profitability and bringing our unit production cost down to \$300 per ton of raw sugar (15 cents a pound) or less, in order to compete globally."

Holaday noted that HC&S is well-positioned to be a very competitive producer of Compak composite panel board. "The first advantage we have is that bagasse fiber is much stronger than any competing fiber, so it's the best raw material for this type of product – and we have plenty of bagasse. In addition, bagasse is produced virtually year-round at HC&S, so, unlike wood-based panel producers, we have no significant cost to store our raw material. We also have existing facilities and infrastructure – as well as HC&S' administrative and technical staff – which we can utilize. So I expect us to be a low-cost producer of this high-quality product."

HC&S, which produces over 60 percent of Hawaii's sugar, is a division of A&B-Hawaii, Inc., the food products and property development and management subsidiary of Alexander & Baldwin, Inc. (NASDAQ:ALEX). A&B's other principal subsidiary is Matson Navigation Company, Inc. (ocean transportation). Additional information about HC&S and A&B may be found at www.mauibrand.com and www.alexanderbaldwin.com, respectively. Compak Systems' website is www.compaksystems.com and Panel Source International's website is www.panelsource.net.