



# ALEXANDER & BALDWIN

## HC&S to Restructure Operations, Close Paia Mill

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Low Sugar Prices, Effects of Continued Drought Call For Changes

PUUNENE, Maui – Hawaiian Commercial & Sugar Company (HC&S) Plantation General Manager G. Stephen Holaday today announced a reorganization at HC&S. Meetings are being held with company employees to explain the reorganization, which is a direct response to fundamental changes that have occurred in the U. S. sugar industry. These negative changes, primarily lower sugar prices--down 20% from last year--have been made worse by Maui's extended drought which has reduced yields at HC&S.

The reorganization involves changes in a number of operations at the plantation, including a factory consolidation that will result in the closure, by the end of September, of Paia Mill, the smaller of two sugar processing facilities operated by HC&S. Paia Mill will be mothballed, intact, to preserve the power plant for potential future power production. Following Paia's closure, the crop will be now be processed entirely at the larger Puunene Mill, in which over \$20 million has been invested during the last two years to modernize and upgrade the plant. There will be no change in the amount of acreage farmed as a result of the mill consolidation. In addition, the farm manager concept, first initiated at HC&S in 1998--whereby groups of employees are responsible for distinct "farms" on the plantation--will be further advanced to improve efficiencies. The net result of the reorganization will be the elimination of approximately 75 positions, about 8 percent of HC&S' total workforce.

"These structural changes are absolutely necessary in light of the past year of unprecedented low sugar prices, as well as the low sugar yields resulting from the past three years of drought conditions on Maui--factors we expect to impact us not only in the current year, but for years to come," said Holaday.

"We are not simply trying to weather a bad period, but to re-engineer our operations to meet the challenges of an industry that we feel is undergoing structural change," continued Holaday. "As Charles Darwin said, it is not the strongest who survive, but those who adapt the quickest and the best. By adapting quickly to a changed environment, HC&S is positioning itself for continued long-term success."

U. S. sugar prices have been at the lowest levels in 20 years, with the average price to-date this year down 20 percent, or five cents per pound, from last year. Each one-cent change in sugar price represents more than \$4 million in annual revenue to HC&S.

Regarding water supplies, this is the third consecutive year of below-normal rainfall on Maui. Rainfall, primarily from East Maui, meets approximately half of the plantation's total water needs. The other half comes from brackish ground water wells. Twelve percent of the plantation, however, is completely dependent on rainfall--these fields have no other source of water. Over the last three years, water deliveries to HC&S hit 15-25 year record lows. For example, rainfall levels in May, June and July of 1999 were the lowest in 15 years and the second lowest in 25 years.

This drought has had a direct impact on plant growth and sugar yields. Current projections show a loss of sugar of 15-20,000 tons (30-40 million pounds) this year, with similar losses expected in 2001. The combined effect of lower sugar prices and lower sugar production will reduce 2000 revenue by 25 % compared with 1999.

Other actions being taken include an immediate freeze on all non-essential capital expenditures this year at HC&S and intensified efforts to improve U. S. sugar programs to bring stability back to the industry.

HC&S will continue its efforts to increase the value of its sugar cane crop. Its new fiberboard plant, an initiative announced last October which will create 30 new jobs at HC&S, is under construction and scheduled to be completed this November. The premium composite panel board made from bagasse (cane fiber) will be marketed under the name Hawaiian DuraGreen. "Our hope, and our strategy, continues to be that the success of this initiative will do much to strengthen HC&S by moving into a business that it independent of, but complementary to, HC&S' core sugar business," said Holaday.

HC&S is a division of Alexander & Baldwin, Inc. (NASDAQ: ALEX). More about HC&S can be found at its website [www.hcsugar.com](http://www.hcsugar.com). Alexander & Baldwin, Inc. (NASDAQ: ALEX) is a diversified corporation headquartered in Honolulu. Its major lines of business are ocean transportation (Matson Navigation Company, Inc.), property development and management (A&B Properties, Inc.), and food products (Hawaiian Commercial & Sugar Company, Kauai Coffee Company). Additional information about A&B may be found at its web site: [www.alexanderbaldwin.com](http://www.alexanderbaldwin.com).

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