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What Really Motivated U.S. Sugar to Sell?

07/29/2008
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Mike Vogel-Florida Trend

To hear U.S. Sugar President Bob Buker tell it, it's a great time to be in the sugar business in Florida. Sugar prices are at historic highs. His company has the largest, most modern, most automated mill in the industry. The latest federal farm bill is the best for the industry in his 22 years in business. "It mandates a raise in prices," Buker emphasizes. Meanwhile, soaring corn prices have driven up the cost of sugar's major competitor, high fructose corn syrup.

The outlook is so sweet, in fact, that U.S. Sugar is going out of business, selling itself to the state of Florida for \$1.75 billion. Indeed, the "pillar of the agriculture community in Florida," as Buker described U.S. Sugar at the announcement of the deal in June, is selling every field and citrus grove, the newest citrus processing plant in Florida, its headquarters, a state-of-the-art citrus nursery near Gainesville, residential real estate developments, that efficient sugar mill, its railroad and rock mines — nearly 300 square miles and every asset, right down to, in Buker's phrase, "the half-eaten pastrami sandwich in the refrigerator."

But amid the hosannas from environmentalists and trepidation about the future in U.S. Sugar's hometown of Clewiston, the sale remains a non sequitur in the context of Buker's sunny portrayal of the state of the sugar business.

So why? Buker's answer at the announcement of the sale was that Gov. Charlie Crist, who thought up the idea, is persuasive and has "the right team." It's not the industry atmospherics, he says. "The economics would say otherwise. We would be in sugar stronger."

For its shareholders, U.S. Sugar has commissioned a "fairness opinion" of the deal from an investment banker; when it leaks out, the pros and cons that drove the board's extraordinary decision to put itself out of business will become clear. But a few surmises are in order, most involving a different set of economics — those of the descendants of company founder Charles Stewart Mott and his namesake foundation.

"One hypothesis I have is the heirs of Charles Mott want the money. That's not the first time that's happened in Florida agriculture," says University of Florida economist Tom Spreen.

U.S. Sugar employees and former employees, through an employee stock ownership plan, hold the largest single block of the private company's shares at more than 30%. But the power to run the company rests in the Mott White family, which has 4% of the company, and the Mott Foundation, which controls 19% of the shares. The other major shareholder of U.S. Sugar is the Mott Children's Health Center charity in Flint, Mich., which owns 22 % of U.S. Sugar's 1.9 million shares. For at least 20 years, the U.S. Sugar board has been chaired by William S. White, who married Mott's granddaughter, Claire Mott White, and also is chairman and CEO of the Flint, Mich., foundation.

U.S. Sugar is selling every sugar field and processing plant it owns. [Photo: Michael McElroy]

In 2005, the company entertained an offer to sell out to a Missouri concern for \$293 per share but rejected it as too low, according to a federal lawsuit filed by employees unhappy about what the company paid retiring employees for their shares.

Then, in April, because of the effects on crops from hurricanes and drought, the company suspended its dividend, leaving the Motts, the foundation and the health center with illiquid shares that once paid a small dividend but now pay none. White and the foundation declined comment through a foundation spokeswoman.

Some time after rejecting the Missouri concern in 2006, Buker publicly pegged U.S. Sugar's value at \$2.5 billion, according to the suit. The deal to sell to Florida reaches that target — \$1.75 billion at closing, plus the profits from six more years of farming. With price supports, domestic growers have a virtual "license to print money," Spreen says. Indeed, the domestic sugar price approaches double the global price. U.S. Sugar could clear \$150 million a year for those six years, for another \$900 million, Spreen says. U.S. Sugar declined to discuss its financials.

When U.S. Sugar pays off its debts, shareholders will see an estimated \$350 per share from the state's \$1.75 billion, Buker says. The distributed profits from the six remaining years of farming could bring another \$473 per share, Florida Trend estimates.

At the announcement, Buker dismissed various ideas advanced by reporters for the sale. The dwindling of the farmable muck soil?

No, it will last indefinitely, Buker says. The real estate downturn hampering U.S. Sugar residential development projects? The cycle will turn. NAFTA and foreign competition? Not an issue. Frustrating regulation? "Just the cost of doing business," Buker says.

"It's dollars and cents and the right thing to do," Buker told reporters. Even with falling real estate prices, the \$9,400 per acre the \$1.75 billion works out to is "a very good price on land."

Site Monitors U.S. Sugar Sale, Effect on Glades

07/29/2008

Palm Beach Post

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By Susan Salisbury, The Palm Beach Post, Fla.

Jul. 27--Residents around Lake Okeechobee are worried about the impact of the proposed buyout of U.S. Sugar Corp. on their economies.

Now there's a Web site dedicated to them: www.protectflowwayfamilies.org.

Gov. Charlie Crist, South Florida Water Management District officials and U.S. Sugar Chief Executive Officer Bob Buker announced a \$1.75 billion deal June 24 to buy the Clewiston-based company's 187,000 acres. The main component of the Everglades restoration being considered is a "flow way" that will be created from Lake Okeechobee south to the River of Grass.

The company's closure, expected in six years, will mean the loss of 1,700 jobs. Many small-business owners who sell products and services to the company are also worried about the ripple effect the end of U.S. Sugar will have.

The Web site includes news articles related to the purchase and a petition addressed to the governor.

"We urge you to make protecting our families and community a critical part of your flow-way plan and ask that you involve us in the process and keep us informed," the petition says.

State Rep. Priscilla Taylor, D-West Palm Beach, whose District 84 includes the Glades, said she agrees with the concept expressed on the Web site.

"I'm certainly concerned about the people," Taylor said. "They should be at the table when this is discussed." Moore Haven resident and sugar cane grower Ardis Hammock said residents have many questions that haven't been answered, such as the size of the proposed flow way.

"I need to know how wide and how long it will be. How high are they going to stack that water?" Hammock said. "Are they going

to build it to hurricane standards?"

Source: The Palm Beach Post

Would Florida sugar company sale affect Idaho?

07/28/2008

Ag Weekly

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Scott Kraus-Ag Weekly

TWIN FALLS, Idaho -- Its difficult to gauge how Floridas planned purchase of the U.S. Sugar Corp. will impact the market for other sugar producers like Amalgamated Sugar Co. in Boise, industry officials said.

The state of Florida proposes to pay \$1.75 billion for U.S. Sugar Corp. and its nearly 300 square miles of land to help restore the Everglades, said a release from Florida Gov. Charlie Crist's office. But the company in Clewiston, Fla., would operate for another six years before it closed, according to Luther Markwart, executive vice president of the American Sugarbeet Growers Association in Washington, D.C. And that reaches beyond the end of the current five-year farm bill. So impact estimates are difficult until another new farm bill is in place, he said. The loss of that production may give other domestic producers a little more room to market, Markwart said. U.S. Sugar Corp., which processes cane sugar, accounts for 8 to 9 percent of all American sugar production, he said. But if the current farm bill provisions were still in effect, any re-allocation of sugar sales would go first to other domestic cane growers, said Mark Duffin, executive director of the Idaho Sugar Beet Growers Association in Boise. The sugar program regulates domestic and foreign sales in the United States so farmers can get their income from markets, rather than subsidies. And cane growers need a certain amount of cane sugar to keep their plants economically efficient, Duffin said. So foreign imports of cane sugar could play a role, too. It won't have an immediate impact on U.S. beet growers, Duffin said. Still, the 2008 farm bill says 85 percent of all American sugar sales must go to domestic producers. If that provision remains in the next farm bill, that could impact how U.S. Sugar Corp.'s portion of the market is reallocated, he said. It'll be interesting to see how that plays out, Duffin said. But the impact on Amalgamated is unknown, said Vic Jaro, CEO and president of Amalgamated. The closing of a sugar producer as large as U.S. Sugar Corp. would be noticeable. But its six years away; nobody knows what's going to happen, he said. Meanwhile, the news came out of the blue, he said. Certainly that was a surprise to everyone, Jaro said. Under the plan, Florida would buy all U.S. Sugar Corp. assets, according to Gov. Crist's news release. These include the land which is the size of New York City and about 200 miles of railroad, a sugar mill, a sugar refinery and a citrus processing plant. The deal for the real estate is expected to close before the end of the year, according to the release. The purchase would significantly boost efforts to restore

the Everglades, according to Crist. It would enhance the 30-year state and federal Comprehensive Everglades Restoration Plan and the state of Florida's Northern Everglades program. The Everglades in an area of marshes, freshwater ponds, prairies and forested uplands once spread over about 11,000 square miles. But now it only covers half that area. We have an opportunity to provide the critical missing link in our restoration activities, Crist said. I can envision no better gift to the Everglades, or the people of Florida, or to our country than to place in public ownership this missing link that represents the key to true restoration.

