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Drought, maintenance extend shutdown

Off-season grows at HC&S

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PUUNENE - Sugar prices are through the roof this year, but that will be of little help to Hawaiian Commercial & Sugar Co., which will have its sugar output reduced by drought to an estimated 125,000 to 130,000 tons this year.

But even if HC&S had more to sell, it still wouldn't benefit, because it sold its production on forward contracts at what now seem like low prices.

The Alexander & Baldwin subsidiary does not participate in the government loan price support program, which is irrelevant this year, since world and American prices are far higher than the 18 cents per pound support rate.

HC&S will soon complete its harvest and shut down the mill, but for much longer than the usual one or two months.

"It has been very difficult in recent years for HC&S to perform adequate maintenance of its factory during a very short off-season," General Manager Chris Benjamin said last week. "This year, we are implementing a longer off-season of approximately five months, to enable more extensive work to improve the efficiency of our factory."

Work will be offered to both field and plant workers, although there may be some periods when some workers are not offered work.

Willie Kennison, Maui Division director of ILWU Local 142, said Monday that some workers may choose to take time off. "The company will offer work to anyone who wants to work," he said.

The long break also will allow the crop in the fields to age, "making up for lost growth due to lack of water," Benjamin said. "The net result should be more sugar in the field and greater efficiency in the factory, which is greatly needed to mitigate losses at HC&S."

Through the midpoint of its fiscal year, A&B's agribusiness sector (which includes Kauai Coffee) had lost \$13.2 million, with the prospect of further losses for the rest of the year. In 2008, the company's agriculture business just about broke even.

As East Maui dried up from the island's extended drought, HC&S reduced its planted acreage from the usual 36,000 to 32,400 acres in 2007, the latest season reported by the Hawaii Agricultural Statistics Service.

Yields fell drastically. During a tour of HC&S fields a year ago, some fields were shown above the irrigation lines that had gone 70 days without water.

Things were even worse in the world's big cane-growing nations. India is in the midst of a long drought, which has led the government to force growers to divert one-fifth of their crop to government stores serving the poorest Indians.

In Brazil, the problem was too much water.

The shortfall in world production against consumption was at least 10 million tons a year ago and may be 8 million tons this year.

Hawaii is no longer an important factor. With Gay & Robinson withdrawing from sugar after this year's harvest, HC&S production will supply only about one-fifth of the amount of raw sugar refined at C&H, which was founded by Hawaii's producers a century ago to process and sell their crops.

U.S. retail sugar prices held steady at 42.6 cents a pound through 2006, when they jumped to more than 60 cents, according to the U.S. Department of Agriculture Economic Research Service.

There they stayed through January, but they have jumped about 10 percent since.

On the Mainland, that has translated to an increase for the shopper of about a quarter for a 5-pound bag of

Article Photos



The Maui News / AMANDA COWAN photo
Afternoon traffic travels along Hansen Road near the Puunene Sugar Mill on Monday. An extended drought has led to a reduced sugar output this year at mill owner Hawaiian Commercial & Sugar Co.

refined white sugar. Newspapers throughout the country have started writing stories about disgruntled consumers, although this is relative.

Last week, the St. Joseph News-Press in Missouri quoted shoppers who complained about paying \$2.69 for a 5-pound bag of C&H. (The price is apparently below market, with grocers offering sugar as a loss leader.)

Maui shoppers could only drool in envy. At the Foodland near Queen Ka'ahumanu Center, a 5-pound bag of C&H was \$3.99.

Meanwhile, the wholesale price, which HC&S could enjoy if it hadn't already sold its crop, was 26.2 cents per pound Monday, according to Bloomberg News. This was closer than usual to the world spot price of 23.2 cents per pound.

Sugar growers consider the world spot price a somewhat mythical number, since only a tiny percentage of cane and beet refined sugars are traded on spot markets. Most sugar is sold, like Maui's, on long forward contracts.

Cheap spot sugar is supposed to be excluded from American markets, to the benefit of U.S. growers, by adjusting the amount of sugar allowed to be imported each year.

Since the United States, the biggest consumer, doesn't grow all its white sugar, manipulating the imports drives up the price. Uncle Sam hopes to keep it at least above the support price of 18 cents.

However, free trade with Mexico has ruined that strategy, according to the U.S. Department of Agriculture, since duty-free Mexican sugar now enters the states outside the quotas.

Meanwhile, HC&S goes its own way. Benjamin said planting will continue for a portion of the off-season.

"Our power plant, of course, will remain operational during this entire period to fulfill our firm power commitments" to Maui Electric Co. and the Maui community, he said.

"There will be some employees with no work offered for some period of time during the off-season, but they will retain certain benefits and be eligible for unemployment. The ILWU has been consulted and are supportive of this strategy."

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