

*Message from Ray Washmera, President:* Hello Fellow NSIMA Members. It is the end of February. Say it ain't so? It is unbelievable but... The Sugar User's Colloquium has passed and USDA Outlook Conference is just around the corner. Time flies when we are having fun. Let me introduce our February Member of the Month, Mr. Ed Makstell, his family, and his Companies.

*Technical Food Sales, Inc. offers our customers a total source of ingredients with technical support. Founded by Edward Makstell in 1961, Ed's vision was to sell food ingredients on a functional basis, thereby providing value to both product development and purchasing departments. Today, our technically trained sales representatives strive to provide excellent service to our customers by offering this added level of technical expertise. We currently have six people on our sales team and cover a five state area.*

*In 1973, we expanded our services by establishing Tri-State Sweeteners, Inc., our food ingredient distribution division. We offer our customers a just-in-time source of food ingredients out of our Mason Ohio warehouse. Our ingredient consolidation division, Tri-State Ingredients, Inc., also offers storage and consolidation services. The Mason facility contains 12,000 pallets of food ingredients utilizing frozen, refrigerated and dry storage areas. Inventory of some products is also available in Salt Lake City, UT.*

*The sale of sweetener products has been the cornerstone of our business. They continue to be integral to our success, both at the brokerage and distribution levels. Over the years, the family business has grown from 2 people in 1961, to 23 people today. Ed's children, Lloyd Makstell and Nadine Whitsett, are currently responsible for day-to-day operations.*

Speaking of fun, our NSIMA Board met this week and discussed an idea that we believe deserves consideration. It was proposed that the NSIMA introduce, produce, and stage timely, topical conference calls on a monthly or bimonthly basis for all its members and customers. We would ask experts (who knows: that could be you) to discuss the different ingredients we represent and our customers desire information on. What do you think? Your thoughts and responses are most welcome.

We have great news on our speaker for NSIMA luncheon on May 6<sup>th</sup>. Dan Colacicco, Director of Dairy and Sweetener Analysis for the U. S. Department of Agriculture, has accepted our invitation. So please mark your calendars and plan to attend. We are sure the luncheon will be a resounding success.

We also must not forget. A year ago, Savannah Sugar and its employees suffered a dramatic, tragic explosion which shocked our sugar world. Thankfully, time and effort heal those wounds and allow us to look to the future with hope. To you involved in Savannah, you are still in our prayers. God bless!

Sincerely, Ray Washmera

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## **2009 IFDA Colloquium Registration List & Presentations**

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**02/11 - Bill could halt U.S. Sugar land purchase**

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**02/18 - Domino Sugar and United Sugar Price Announcements**

**02/18 - Sugar Returns to Mountain Dew this April**

**02/23 - Sugar beet specialist takes a look at the 2008 and 2009 seasons**

**02/24 - Everglades land deal in jeopardy**

**02/24 - U.S. Sugar braces for possible hostile takeover**

For those of us who could not make all the meetings,



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Colloquium Registration List as of 1/30/09--total 299



Attendeesasof1.30.  
2009.pdf

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Meeting Presentations & Program

<http://www.idfa.org/meetings/previous.cfm>

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Feb. 5, 2009; EDGAR Online via COMTEX

## 10-Q: IMPERIAL SUGAR CO.

### MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This discussion should be read in conjunction with information contained in the Consolidated Financial Statements and the notes thereto and in our Annual Report on Form 10-K for the fiscal year ended September 30, 2008.

#### Overview

We operate in a single domestic business segment, which produces and sells refined sugar and related products. Our results of operations substantially depend on market factors, including the demand for and price of refined sugar, the price of raw cane sugar and the availability and price of energy and other resources. These market factors are influenced by a variety of external forces that we are unable to predict, including the number of domestic acres contracted to grow sugar cane and sugar beets, prices of competing crops, domestic health and eating trends, competing sweeteners, weather conditions, production outages at key industry facilities, Mexican sugar supplies, US dollar to Mexican peso exchange rates and United States farm and trade policy. The domestic sugar industry is subject to substantial influence by legislative and regulatory actions. The current farm bill limits the importation of raw cane sugar and the marketing of refined beet and raw cane sugar, potentially affecting refined sugar sales prices and volumes as well as the supply and cost of raw material available to our cane refineries.

The Company experienced an explosion and fire on February 7, 2008, at its sugar refinery in Port Wentworth, Georgia, which represents approximately 60% of our refined sugar capacity. The refinery's bulk storage silos and virtually its entire packaging capabilities were destroyed, while the refining and warehousing operations received more limited damage. Demolition efforts at the site have been completed and the rebuilding effort has begun. The Company expects to begin bulk sugar production in the spring of 2009 with the complete restoration of packaging capabilities in the fall of 2009.

#### Results of Operations

Three Months Ended December 31, 2008 compared to Three Months Ended December 31, 2007

In the current quarter, we reported a loss from continuing operations of \$0.6 million or \$0.05 per diluted share, compared to income of \$12.3 million or \$1.04 per diluted share during the first fiscal quarter of the prior year. Lower sales volumes and higher costs due to the loss of the Port Wentworth refinery production capacity, offset partially by higher domestic sugar prices were the primary drivers of lower profitability as compared to the prior year. Refinery explosion related charges (as described in Note 2 to the Consolidated Financial Statements) resulted in net pre-tax charges of \$3.3 million in the quarter ended December 31, 2008. We discuss these and other factors in more detail below. These results do not include any recoveries for lost income under the business interruption portion of the Company's property insurance policy.

#### Index to Financial Statements

Sugar sales comprise approximately 97% of our net sales. Sugar sales volumes and prices were:

	Three Months Ended December 31,			
	2008		2007 (1)	
	Volume	Price	Volume	Price
	(000 cwt)	(per cwt)	(000 cwt)	(per cwt)
<b>Sugar Sales:</b>				
Industrial	1,190	\$ 30.36	2,826	\$ 29.86
Consumer	1,170	38.34	2,273	35.78
Distributor	637	34.19	1,110	31.19
Domestic Sales	2,996	34.29	6,209	32.26
World Sales	120	24.09	389	21.14
Sugar Sales	3,117	\$ 33.90	6,598	\$ 31.61

(1) The Company redefined its foodservice sales channel and began reporting sales as the distributor channel in fiscal 2009. The effect of this change, in general, was to move certain customers from the industrial channel to the distributor channel. Fiscal 2008 sales volumes and prices have been restated accordingly.

Net sales decreased 49.6% for the three months ended December 31, 2008, compared to the same period in the prior year. Domestic sugar volumes decreased 51.7% for the quarter primarily due to the lost production volume from the Port Wentworth refinery partially offset by increased production in our Gramercy refinery and sugar purchased from other producers. Domestic prices increased 6.3% for the quarter. Sugar produced from the domestic sugar beet crop harvested in the fall of 2008 is forecasted by the USDA to be 10.5% smaller than the prior year. This reduction in available supply has led to higher refined prices. For the three months ended December 31, 2008, gross margin as a percentage of sales decreased to (2.7%) compared to 6.6% in the prior year quarter. The decline in gross margin percentage is primarily due to freight, manufacturing and raw sugar cost increases in excess of sales price increases.

A significant portion of industrial channel sales are made under fixed price forward sales contracts for generally up to a year, many of which are on a calendar year basis. As a result, industrial sales prices tend to lag market trends. The Company continues to fulfill lower-priced contracts which existed at the time of the Port Wentworth explosion in February 2008. The weighting of these contracts in the mix of industrial sales should begin to diminish in the second quarter of fiscal 2009 and average realized prices for the industrial channel are expected to increase.

Our cost of domestic raw cane sugar increased from \$20.87 per cwt (on a raw market basis) for the prior year quarter to \$21.68 per cwt for the quarter ended December 31, 2008. The higher domestic raw cane sugar cost decreased our gross margin percentage by 1.6% for the three months ended December 31, 2008 compared to the same quarter last year. We expect that domestic raw sugar costs for the balance of FY09 will continue at levels higher than the prior year. Lower margins on world sugar sales negatively impacted gross margin percentage by 0.6% for the quarter.

Energy costs per cwt were higher than the prior year due to a negative mix of energy sources caused by the curtailment of sugar production in Port Wentworth, as well as higher natural gas prices. Higher energy costs reduced gross margin as a percent of sales by 2.6%. The Port Wentworth refinery utilizes lower priced coal as its primary energy source while the Gramercy refinery exclusively uses natural gas. As reflected in the table below, natural gas provided approximately 55% of the energy for our plants in the first quarter of fiscal 2008, while the remainder of our energy usage was comprised of coal and fuel oil. Natural gas usage increased to 100% of the total energy usage in the first quarter of fiscal 2009 as a result of the Port Wentworth refinery not operating. Our average NYMEX basis cost of natural gas after applying gains and losses from hedging activity increased to \$9.86 per mmbtu in the current year as compared to \$8.10 last year.

	Quarter Ended December 31,			
	2008		2007	
	Volume (000 MMBTU)	Price (per MMBTU)	Volume (000 MMBTU)	Price (per MMBTU)
Natural Gas	572	\$ 9.86	627	\$ 7.65
Coal	-	-	512	3.65
Fuel Oil	-	-	1	7.40
Total	572	\$ 9.86	1,140	\$ 5.85

We have purchased or hedged approximately 71% of our expected natural gas requirements for fiscal 2009 at prices higher than fiscal 2008 levels. If the balance of our anticipated natural gas purchases were priced in the futures market on January 28, 2009, our natural gas costs would be \$2.2 million lower than fiscal 2008.

Gross margin was significantly impacted by higher transportation costs. Increased distances on deliveries to customer locations caused by servicing Port Wentworth-based customers, as well as higher fuel and rail fleet costs, have had an adverse effect on our transportation costs reducing gross margin percentage by 3.8% for the quarter. Increased distances to customers accounted for 1.9% of the gross margin reduction. A shift in delivery mix with fewer customer pickups and increased deliveries from outside warehouses accounted for 1.1% of the gross margin reduction and higher fuel and freight rates drove the remaining 0.8% gross margin change.

Manufacturing costs increased over the first quarter of fiscal 2008 due to start-up costs at the Port Wentworth refinery as limited liquid sugar production began in early November 2008. The Port Wentworth refinery attempted to produce liquid sugar without the normal crystallization facility, but was unable to produce liquid sugar at costs which were commercially acceptable. Liquid sugar production ceased in late January 2009 and is not expected to resume until the bulk sugar production starts in the spring of 2009. Continuing fixed costs in Port Wentworth, as well as higher labor and maintenance

costs in Gramercy also increased manufacturing costs over the first quarter of last year. Gross margin percentage for the quarter was reduced by 3.7% as a result of these increased costs.

Selling, general and administrative expense increased \$1.0 million for the quarter ended December 31, 2008 compared to the same period in the prior year primarily due to increased legal costs of \$0.8 million and medical costs of \$0.8 million. Lower advertising and compensation costs of \$0.4 million each respectively, partially offset those higher costs.

We incurred \$14.9 million of costs related to the refinery explosion and have accrued insurance recoveries totaling \$11.7 million, resulting in a net charge of \$3.3 million to operations. Details of the costs incurred and the status of insurance recoveries is provided in Note 2 to the Consolidated Financial Statements.

## Index to Financial Statements

The Company along with other sugar industry participants was party to a pending lawsuit with McNeil Nutritional, which was settled in November 2008. The Company received \$16.1 million in connection with the settlement which was recorded as a gain on litigation settlement in the quarter ended December 31, 2008.

As a result of the foregoing, operating loss was \$1.7 million in the first fiscal quarter compared to operating income of \$3.6 million in the first fiscal quarter of the prior year.

Other income, which includes equity investment earnings and distributions from cost basis investments, decreased \$11.3 million in the three-month period ended

December 31, 2008 compared to the same period in the prior year. In October 2007, the Company received an \$11.2 million cash distribution from its long-term limited partnership investment as a result of the partnership selling its principal asset, an interest in a fuel oil terminal in the Port of Houston. In November 2007, the Company formed a 50/50 joint venture with a Monterrey, Mexico based sugar producer, which markets sugar products in Mexico and facilitates cross-border transactions (to the extent such transactions are economically viable) under the provisions of NAFTA. We own a 50% share of Wholesome Sweeteners, Inc, an organic and fair trade sweetener company. Other income included the following (in thousands of dollars):

	<b>Quarter Ended December 31,</b>	
	<b>2008</b>	<b>2007</b>
<b>Equity Earnings in investment in</b>		
<b>Mexican marketing Joint Venture</b>	\$ 106	\$ 186
<b>Wholesome Sweeteners, Inc.</b>	327	321
<b>Distributions from cost basis fuel terminal partnership</b>	147	11,423
<b>Gain on sale of securities</b>	388	173
<b>Other</b>	48	166
<b>Total</b>	\$ 1,016	\$ 12,269

We have estimated a combined federal and state income tax rate of 28.3% for the three months ended December 31, 2008 compared to 25.0% in the same period last year. The increase in the effective tax rate is primarily attributable to tax-free interest income in fiscal 2008, as well as the impact of tax uncertainties.

Income from discontinued operations is a result of the resolution of pre-disposal contingencies.

### Liquidity and Capital Resources

We are currently rebuilding the portion of the Port Wentworth refinery damaged or destroyed in the industrial accident in February 2008. The Company has property damage insurance, which provides replacement cost coverage for affected facilities. The policy also provides for business interruption insurance based on lost income and certain costs incurred during a reasonable period of reconstruction. The combined policy coverage for property damage and business interruption is subject to deductibles and a number of exclusions and sub-limits, as well as an overall policy limit of \$350 million per event. Based on engineering reports and construction estimates received to date, the Company believes its insurance coverage is adequate to provide for the replacement of the damaged facilities at the Port Wentworth refinery, estimated in the range of \$200 million to \$220 million. Through December 31, 2008, we have received advances on our property insurance claims totaling \$110 million.

Additionally, the Company has workers compensation insurance and general liability insurance. Workers compensation insurance provides for coverage equal to the statutory benefits provided under state law. The general liability insurance provides coverage for damage to third parties or their property, up to a policy limit of \$100 million. Each of these policies is subject to sub-limits and exclusions and required deductibles.

At December 31, 2008, the Company had cash and cash equivalents of \$35.1 million. Additionally, the Company has a revolving credit agreement with Bank of America, N.A. (the "Revolver") which provides for up to \$100 million (subject to a borrowing base) of senior secured revolving credit loans. At December 31, 2008, we had no outstanding borrowings and had the capacity under the borrowing base formula to borrow \$46.7 million against inventory and receivables, after deducting outstanding letters of credit totaling \$5.9 million. The Company borrowed \$30 million under the Revolver in January, 2009, to provide quick standby liquidity and had in excess of \$50 million in cash and cash equivalents including proceeds of the borrowing, at January 31, 2009.

We believe that our available liquidity and capital resources including insurance recoveries, cash balances and existing revolving credit agreement, are sufficient to meet our operating and capital needs, including estimated reconstruction costs and ongoing capital improvements, during the period required to restore production capabilities at the Port Wentworth refinery. As a result, the Company does not anticipate the need to access the capital markets which are in an uncertain state at this time.

The Revolver, which expires December 31, 2011, is secured by substantially all of our current assets, certain investments and certain property, plant and equipment. Each of our subsidiaries is either a borrower or a guarantor under the facility. Interest on borrowings under the Revolver is at LIBOR plus a margin that varies (with liquidity, as defined) from 1.00% to 1.75%, or the base rate (Bank of America prime rate) plus a margin of negative 0.25% to positive 0.25%.

The agreement contains covenants limiting our ability to, among other things:

- incur other indebtedness;
- incur other liens;
- undergo any fundamental changes;
- engage in transactions with affiliates;
- enter into sale and leaseback transactions;
- change our fiscal periods;
- enter into mergers or consolidations;
- sell assets; and
- prepay other debt.

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In addition, in the event that our quarterly average total liquidity (defined as the average of the borrowing base, less average actual borrowings and letters of credit) falls below \$20 million, the Revolver requires that we comply with a quarterly covenant which establishes a minimum level of earnings before interest, taxes, depreciation and amortization, as defined (EBITDA). The Revolver limits our ability to pay dividends or repurchase stock if our average total liquidity for the four fiscal quarters then most recently ended, after adjustment on a pro forma basis for such transaction, is less than \$20 million. Average total liquidity for the quarter ended December 31, 2008 was \$94 million.

The Revolver also includes customary events of default, including a change of control. Borrowings will generally be available subject to a borrowing base and to the accuracy of all representations and warranties, including the absence of a material adverse change and the absence of any default or event of default. Although the facility has a final maturity date of December 31, 2011, we classify debt under the Revolver as current, pursuant to Emerging Issues Task Force Issue 95-22 as the agreement contains a subjective acceleration clause if in the opinion of the lenders there is a material adverse effect, and provides the lenders direct access to our cash receipts.

Our capital expenditures for the three months ended December 31, 2008 were \$16.5 million including \$14.2 million relating to the Port Wentworth rebuild. To-date we have expended \$22.5 million on the Port Wentworth rebuild project. Capital expenditures in fiscal 2009, excluding the Port Wentworth rebuild, are expected to total between \$12 million and \$22 million, related primarily to normal equipment replacement, product quality and safety improvements.

A detailed analysis of the sources and uses of cash is provided in the Consolidated Statements of Cash Flows.

## Critical Accounting Policies and Estimates

There have been no material changes to our critical accounting policies and estimate methodologies since the filing of our Annual Report on Form 10-K for the year ended September 30, 2008.

## Sugar industry adjusted quickly; Imperial anticipates changes in 2009

It wasn't quite the Dixie Crystals shortage that had been feared.

After the Feb. 7, 2008, fire and explosions that killed 14 people at Imperial Sugar Co.'s Port Wentworth refinery, consumers faced the possibility of empty grocery store shelves.

But the sugar industry quickly adjusted. Refineries increased their production, more sugar was imported from other countries, and consumers haven't seen a difference in the supply or the price of sugar.

Behind the scenes, however, the price of raw sugar is still reeling from the effects of the refinery being shut down.

That price drop might help Imperial Sugar Co. as it positions itself by taking advantage of changing consumer preferences, looser trade rules with Mexico and a partnership with sugar cane growers.

"2009 will be a year of rebuilding our core sugar [business](#)," said Imperial CEO John Sheptor. "I am confident that our Port Wentworth refinery construction, our participation in the Mexican joint venture and our potential participation with Louisiana Sugar Refiners will strengthen our core sugar business."

Nine percent of the nation's sugar, and 15 percent of its cane sugar, was refined in Port Wentworth before the explosion.

The facility bought raw cane sugar, which in the U.S. is grown in Louisiana, Texas, Florida and Hawaii. It refined it by melting it down and spinning out molasses to get pure sugar crystals, which were then sold to consumers, restaurants and food processors.

With the Port Wentworth facility offline, more harvested raw cane sugar was available than could be refined, leading to an oversupply on the market.

That drove the price down.

"It's been very unfortunate for us producers. The price has been quite depressed," said Jack Roney, director of economics and policy analysis with the American Sugar Alliance. "The lack of demand from one of the biggest refineries in the country hasn't helped any."

Raw cane sugar cost \$0.21 a pound in 2007; now it costs \$0.19 a pound. That amounts to millions of dollars lost among producers of cane sugar, but millions of dollars saved among those buying it.

It hasn't brought the price of refined sugar down because there's a smaller supply of refined sugar.

Also contributing to the smaller supply is a reduction in sugar beet acres planted.

There's no difference in the end product of refined sugar beet and refined cane sugar, but sugar beet is grown in the northern Midwest states and is refined in the fields.

The acreage planted dropped nearly 11 percent for the 2009 season as farmers planted more lucrative crops, such as corn, wheat and soybeans, according to the U.S. Department of Agriculture Sugar and Sweeteners Outlook.

"A [recovery](#) in raw sugar prices is critical for producers experiencing higher import costs," Roney said. "We've got a lot of producers on the brink of bankruptcy. They're rooting for the Savannah refinery to get up and moving again."

The market is in an unusual situation.

The U.S.D.A. has increased the amount of imports it allows to help keep the supply and price of refined sugar stable.

"It's actually a good opportunity for cane refiners," Roney said. With raw cane sugar prices low and refined sugar prices steady or even up slightly, "it's a good opportunity for them to cover their costs of acquiring and maybe make a profit."

Imperial Sugar has relied on its Gramercy, La., refinery to help meet its demands while the Port Wentworth refinery is down; sales are still about 50 percent lower than before the explosion.

Imperial continues to fill its contracts for industrial customers and supply food service and retail customers by buying refined sugar from other entities.

"A lot of the turbulence related to the refinery being shut down has basically subsided," said analyst Hamed Khorsand, of BWS Financial. "(Imperial) has some challenges ahead but not as severe as before."

The Port Wentworth refinery is expected to resume all of its operations in the fall. Imperial has ordered the equipment it needs, and much of it will be more efficient.

As American consumers have become more health conscious, the demand for traditional sugar has been reduced.

Still, "sugar is a staple of the American diet," Sheptor said.

In this economy though, consumers are shifting their preferences to private labels or store brands and buying at discount stores.

Imperial has seen a reduction in restaurant sugar consumption as people eat at home more frequently. And they're eating fewer processed desserts, which may be impacting the company's industrial clients.

"At this point, there's been no significant impact on Imperial," Sheptor said.

However, the company is expanding its offerings.

It introduced pre-measured brown sugar packs in November, designed to make it easier for consumers to use brown sugar in baking.

Imperial is also trying to reach consumers who buy natural products.

It invested in a company called Wholesome Sweeteners, which makes organic, fair trade sugars, syrups and nectars.

"Wholesome Sweeteners gives Imperial the opportunity to participate in this channel where we were not," Sheptor said.

Imperial owns 50 percent of Wholesome Sweeteners and has an option to buy the rest in 2010.

Wholesome Sweeteners had double-digit growth last quarter. Its products are mostly sold in natural-food stores such as Whole Foods and in Savannah at Brighter Day Natural Foods.

To avoid getting locked out of the sugar industry, Imperial is exploring a potential joint venture with Louisiana Sugar Refinery LLC on a new refinery.

Louisiana Sugar Refinery is a joint venture between food product provider Cargill Inc. and Sugar Growers and Refiners Inc., a cane sugar marketing cooperative.

The company would benefit from having a definitive source for its raw sugar and from teaming with Cargill, Khorsand said.

Cargill entering the sugar market would have meant new competition "with bigger pockets."

"Once there is something officially announced, it would be a positive," Khorsand said.

In the proposed deal, Imperial would contribute its Gramercy facility in exchange for a one-third interest in the venture.

The sugar cane grown nearby would be processed at the new refinery, and its refining capacity would be 1 million tons. None of it would go to Port Wentworth.

Imperial expects to move toward closing the deal in the coming months, Sheptor said.

"Negotiations are ongoing," he said. "We have received preliminary approval from the state."

In January 2008, a new market was opened to the U.S. sugar industry.

Tariffs on sugar transferred across the U.S./Mexican border were abolished, making it cheaper to import and export sugar.

It essentially "dropped all limits on how much sugar Mexico could sell in the U.S.," Roney said. "Mexico has no constraint on how much sugar they can produce and sell on the U.S. market."

"It's been a big factor in how low the sugar price has been."

To reach that market, and to reach the U.S. market from a different angle, Imperial entered into a joint venture with Mexican sugar company Ingenious Santos, S.A. de C.V. to form Comercializadora Santos Imperial.

It's been a successful first year, Sheptor said.

"The venture sold more than 400,000 tons of sugar into Mexican and U.S. industry," he said. "Our venture participated in 15 percent of exports from Mexico into U.S."

Imperial can bring raw cane sugar from Mexico and have it refined in Gramercy and eventually in Port Wentworth.

The venture also expanded Imperial's customer base by supplying refined sugar in Mexico for beverages and confectionary and retail products.

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For full details on Imperial Sugar Company (IPSU) [click here](#). Imperial Sugar Company (IPSU) has Short Term PowerRatings of 5. Details on Imperial Sugar Company (IPSU) Short Term PowerRatings is available at [This Link](#).

<http://www.bizjournals.com/southflorida/stories/2009/02/09/daily39.html>

February 11, 2009, by Paul Brinkman, South Florida Business Journal

## Bill could halt U.S. Sugar land purchase

Formal opposition to the state buyout of **U.S. Sugar Corp.**'s land has materialized in the Florida Senate.

State Sen. Michael Bennett, R-Bradenton, has introduced a bill that could require voter approval of the South Florida Water Management District's \$1.34 billion purchase.

Bennett's bill (SB 1436) would require a referendum before any water district could issue bonds to fund projects.

"Some of us in the legislature believe these water districts have unbelievable taxing authority," he said Wednesday. "If you're going to spend taxpayers' money, especially of that magnitude, I think voters deserve a say."

State Rep. Trudi Williams, R-Fort Myers, is introducing a similar bill in the House, Bennett said.

The South Florida Water Management District's governing board voted 4-3 in December to approve the purchase of 180,000 acres of U.S. Sugar's land. The goal is to boost clean water supply moving between Lake Okeechobee and the southern Everglades.

The district is now asking a Palm Beach County Circuit Court judge to approve the bond validation process. **Florida Crystals**, a U.S. Sugar competitor, is challenging the process in court.

Bennett said he supports Everglades restoration, but believes the district doesn't need to buy that much land.

If Bennett's bill passes, Gov. Charlie Crist, who announced the land deal in July, would decide on whether to sign the bill into law.

Gabriel Margasak, a spokesman for the water district, said it is limiting comment on Bennett's bill to the following: "The South Florida Water Management District is respectful of the legislative process and continues to work closely with the Florida House and Senate."

## Peanut Corp. of America files for bankruptcy

Company at source of national salmonella outbreak going out of business

ATLANTA - (AP) The peanut processing company at the heart of a national salmonella outbreak is going out of business.

The Lynchburg, Va.-based Peanut Corp. of America filed for Chapter 7 bankruptcy in U.S. Bankruptcy Court in Virginia Friday, the latest bad news for the company that has been accused of producing tainted peanut products that may have been sent to everyone from poor school children to disaster victims. "It's regrettable, but it's inevitable with the events of last month," said Andrew S. Goldstein, a bankruptcy lawyer in Roanoke, Va., who filed the petition.

The outbreak was traced to the company's plant in Blakely, Ga., where inspectors found roaches, mold and a leaking roof. A second plant in Plainview, Texas was shuttered this week after preliminary tests came back positive for possible salmonella contamination. So far, the outbreak has been suspected of sickening more than 630 people and may have caused nine deaths. It also has led to more than 2,000 product recalls, one of the largest in U.S. history.

Companies file Chapter 7 to liquidate their assets and distribute the proceeds to creditors. A trustee is automatically appointed to oversee the wind down, as opposed to a Chapter 11 filing that gives a company breathing room while it tries to reduce its debts and continue in business. The company said in the filing that its debt and assets both ranged between \$1 million and \$10 million.

The board had considered a Chapter 11 bankruptcy but decided on an outright liquidation. It said in a court filing that the recalls had been "extremely devastating" to the company's financial condition.

"It is in the best interest of creditors that all actions against the company be assembled under one roof," Goldstein said.

The company's problems have multiplied since the link to its Georgia plant.

The government is working on a criminal investigation into the case, and more than a dozen civil lawsuits have been filed. This week, Peanut Corp. president Stewart Parnell repeatedly refused to answer questions before the House Energy and Commerce investigations subcommittee, which is seeking ways to prevent another outbreak. But e-mails surfaced indicating he ordered products the company knew were tainted to be shipped anyway. Reached by telephone, Parnell said his attorneys had advised him not to talk. "If I could do it, I would," he said.

Food safety lawyers are optimistic that victims and their families can still be compensated. The bankruptcy proceeding could postpone litigation against the company, but lawyers plan to push a judge to allow civil lawsuits to go forward anyway. And many have also filed lawsuits against Solon, Ohio-based King Nut Co. and Battle Creek, Mich.-based Kellogg Co., which they say used the tainted ingredients in their products.

"Even if Peanut Corp. doesn't have enough insurance and enough assets to cover the damages, King Nut and Kellogg will have to step up," said Bill Marler, who has filed seven lawsuits against the company on behalf of more than 40 possible victims.

February 18, 2009; By Zak Stambor, **The Chicago Tribune**

## ***Stevia is the new sweetener in town***

Approved as a natural product, stevia may broaden appeal of sugar alternatives

In the beginning there was sugar.

Then in 1957, the pink stuff appeared. Twenty-four years later, the blue stuff popped up. Then in 1998, the yellow stuff arrived.

Life was simple. People fell into two camps: those who used artificial sweeteners (Sweet 'N Low, Equal and Splenda) and those who used sugar.

But in December, the Food and Drug Administration opened up what could be the holy grail—the all-natural, no-calorie sweetener—when it announced that it had no objections to companies using rebaudioside-A, or reb-A, as a general-purpose sweetener (as long as it is at least 95 percent pure). Derived from stevia, a plant native to South America, Central America and Mexico, reb-A is nearly 300 times sweeter than sugar.

There's no dietary, health or safety difference between artificial and natural sweeteners such as reb-A, said Dawn Jackson Blatner, a dietitian and American Dietetic Association spokeswoman. But because it carries the "natural" (although not organic) label, it might broaden the umbrella of people who turn to a sugar alternative to cut calories.

"They're all options for those who want something other than sugar," she said. "Pink and blue and yellow are not under the umbrella of an old-fashioned product. But it really just boils down to taste."

Despite reb-A's natural billing, Michael F. Jacobson, executive director of the Center for Science in the Public Interest, a food watchdog group, is concerned it wasn't tested thoroughly enough before the FDA's decision.

"'Natural' suggests it's safe, but that's not necessarily the case," he said. "I think the FDA standards are too lax. I'm not sure there won't be potential problems down the road."

In truth, the FDA already approved a natural, no-calorie sweetener that looks and tastes like sugar in 2001, erythritol, a sugar alcohol naturally found in fruit and fermented foods.

Whole Foods Market and other grocery stores already stock Organic Zero, Wholesome Sweeteners' pure erythritol. And manufacturers such as Stonyfield Farm have used erythritol in their products. But erythritol is only 60 to 80 percent as sweet as sugar, unlike reb-A and other sweetener alternatives that are typically 180 to 300 times sweeter than sugar, making it an inefficient substitute.

As a result, reb-A has the limelight.

Since the FDA decision, it has been almost impossible to avoid the new reb-A sweeteners on the block—Truvia, PureVia and Stevia Extract In The Raw—in commercials, print advertisements, as well as on grocery store shelves.

And it won't stop any time soon.

Both Coca-Cola Co. and PepsiCo. Inc. have released reb-A sweetened drinks: Coca-Cola released two different 100-calorie Odwalla juice drinks and a 50-calorie version of Sprite called Sprite Green, while PepsiCo launched three different no-calorie SoBe Lifewater flavors, as well as Trop50, an orange juice drink with half the calories of regular orange juice. And more products will appear throughout the next year, said spokeswomen for Truvia and PureVia.

Stevia can feature a licoricelike bite, so Truvia and PureVia blend reb-A with erythritol and other undisclosed "natural flavors" that seek to dilute reb-A's potency and balance its flavor. Stevia Extract In The Raw is a mixture of reb-A and dextrose, a flavorless, corn-derived bulking agent.

"Stevia has always had challenges in terms of its flavor profile," said Ann Clark Tucker, spokeswoman for Cargill, which produces Truvia. "That's where it's crucial to find the right plant variety [there are more than 200] and blend it with the natural flavors, which are the equivalent to salt and pepper in that they enhance or bring out the flavors' characteristics."

Because of the stevia-based sweeteners' different recipes, the three sweeteners have similar but distinctive tastes. All three look and feel similar to sugar, but PureVia has a citruslike bite when used in coffee and tea, and Stevia Extract In The Raw has a slight herbal aftertaste. But neither PureVia nor Truvia's taste is evident in the Odwalla or SoBe beverages.

At the moment, Stevia Extract In The Raw is the only one of the three reb-A based sweeteners that claims it can be used for baking. Yet nearly all of the recipes on its Web site combine the sweetener with sugar.

"You can't completely replace the sugar because it adds bulk," explained Michael Decker, marketing director for Cumberland Packing Corp., parent company of Stevia Extract In The Raw. "But when you bake with Stevia, even if you use some sugar, you're still saving calories."

Spokeswomen for PureVia and Truvia suggest that they will soon offer a baking version of the products.

Domino's previous announcements both were thru September 30,2009; therefore, Domino does not have a Price Announcement for the period October 1, 2009 thru December 31, 2009.

The new Announcements are for the period of January 1, 2010 to December 31, 2010, ***the calendar year, not for the crop year.***

**2009/02/17: Domino Sugar Announcement IND-35**

Domino lowers Bulk sugar to \$31.00 bulk EFG--All plants for the period 1/1/2010 to 12/31/ 2010.



2009 02-17 -  
DominoPriceAnnIND3

**2009/02/17: Domino Sugar Announcement IND-36**

Domino lowers all Industrial grade products for the period 1/1/2010 to 12/31/2010.



2009 02-17 -  
DominoPriceAnnIND3

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Note that United also has not published pricing for the period 9/30/2009 – 12-31-2009

**2009/02/18: United Sugar Pricing Letter**

United lowers Bulk sugar to \$31.00 bulk EFG--All plants for the period 1/1/2010 to 12/31/ 2010.



2009 02-18 - United  
Sugar Pricing Letter.p

Feb 18, 2009: by Jared Rea, The Escapist

# Sugar Returns to Mountain Dew this April

Rejoice! The eerily official drink of the gamer nation ditches the corn syrup for the real thing.

Professional athletes have Gatorade, NASCAR drivers have Budweiser and gamers? Well, we have Mountain Dew, of course. That sweet, delicious [slurm](#) of the gods, that for reasons science has yet to explain, is inexplicably loved by gamers around the world. Put a case of the green stuff anywhere near a pack of the thirsty lot and it'll be gone faster than you can say "whimmy wham wham wozzle."

Unfortunately, the two largest soda manufacturers in the US, Coca-Cola and Pepsi, stopped using real cane sugar in its drinks back in 1984 when [high fructose corn syrup](#) became a viable alternative. To it's wallets? Yes. To our palettes? One only needs to pick up a south of the border bottle of Mexican Coke, which is still made with real sugar, to realize that we got hosed.

Come this [April](#), Pepsi will be giving us a taste of the good life once more as it plans to release two repackaged sodas, "Pepsi Throwback" and "Mountain Dew Throwback," both with sugar as opposed to the corn stuff. Both trademarks and logos for the new brands were spotted in the Trademark Office's search system by [BevReview.com](#) as well.

The worst thing that can happen is that this somehow makes Mountain Dew more delicious and then Pepsi takes it away, leaving gamers to roam the ends of the Earth forever, looking for one last drop of the fabled substance. If they were ever to rerelease [Game Fuel](#) with real sugar, I'd be stockpiling for *days*.

Feb. 23, 2009; by Matt Bewley, Agweek

# Sugar beet specialist takes a look at the 2008 and 2009 seasons

It's been another good year for sugar beet producers in the Red River Valley, according to sugar beet researcher Mohamed Khan with the North Dakota State University Extension Service.

Make that "three successful years in a row," says Khan, who spoke at the recent American Crystal Sugar sugar beet growers' seminar in Grand Forks, N.D.

There were no sugar beet acres that had to be left in the ground, and average yields reached into the mid-25-ton-per-acre range. Forty-four percent of the harvest was of conventional sugar beets, and 56 percent of it was of genetically modified sugar beets. Both, Khan says, were very similar in recovered sugar, about 17 percent.

## Next year

Looking forward, Khan has a few tips for producers to keep in mind as they plan out their 2009 season.

"One of the best things you can do, since you are making the most money with sugar beets, is to plant sugar beets into your best fields," he says.

He reminds growers of the importance of going into a good seedbed, listening to agronomist recommendations on nutrient applications and, when it comes to yield, aiming a little high.

"Aim for 30 tons per acre," he says. "That way, if you fall a little, you're still around 25-plus."

## Population control

The best returns can be attained by planting for optimum population.

"The first thing is to make sure you have a good plant population," Khan says. "There is an old saying, 'What you sow, that is what you shall reap.' We've done the research and found that about 175 plants per 100-foot row consistently gives you the highest recovered sugar per acre, never mind the variety."

What happens if you try to go too high?

"Let's say you go to 225 plants per 100 feet of row," he says. "You get similar yields, but then the beets start to get carrot-shaped, compared to those at 175."

They also get smaller, which Khan says can become a problem in the fall.

"It affects storage, and sometimes, if they come too small, you cannot harvest it," he says.

## Proving a point

In a field test last year, Khan planted sugar beets May 2 and again May 24.

“We used from 50 to 175 plants per foot of row,” he says.

The percent of recovered sugar was virtually the same in nearly all of the sugar beets. The only ones that were lower in sugar were those planted at 50 plants per 100 feet of row. As expected, the sugar beets planted May 2 yielded more than all the rest.

The takeaway lesson is seed spacing, Kahn says.

“Sugar beet seeds are like gold dust,” he says. “Each one of them is very expensive. You don’t want to go about wasting seeds. You should be taking your planters every year to the clinic to make sure that whatever space you want, you get when you go into the field.”

NDSU’s research and the information from American Crystal show that 175 to 200 plants per 100 feet of row is the population that will consistently give the highest recovered sugar per acre.

And that’s what it’s all about, Khan says. “That’s what you are in this business for.”

Feb. 24, 2009; MSNBC.com

## Everglades land deal in jeopardy

Florida hasn't secured financing, so U.S. Sugar is still looking at other offers

WEST PALM BEACH, Fla. — AP - A historic land deal aimed at helping restore the dying Everglades, and lauded by Gov. Charlie Crist as "monumental as the creation of our nation's first national park," may end up dead in the water.

The state of Florida is currently working to secure financing so it can buy 180,000 acres of land in the Everglades from U.S. Sugar Corp., the nation's largest producer of cane sugar, for \$1.34 billion.

The company agreed last year to sell its nearly 300 square miles of farmland to Florida, which wants to use some of it for environmental restoration and do away with acres of agriculture that have long been blamed for polluting the Everglades ecosystem.

In the meantime, U.S. Sugar is still entertaining bids from competitors, putting the state deal in jeopardy.

A 60-day period during which U.S. Sugar was required to take bids — and could seek out bids — ended Monday. However, the company can continue to entertain unsolicited bids until the state secures financing, something officials say they hope to happen by summer.

"We have several interested parties," said U.S. Sugar Vice President Robert Coker, who declined to name them.

One is a Tennessee-based farming company, The Lawrence Group, that is seeking to undercut the state contract.

"It's a very active time right now," Coker said. "If an offer is better than the state's, then the state will have an opportunity to come back in and match that offer. If they choose not to match that offer, then we can pay a breakup fee and walk away."

That means U.S. Sugar, under the terms of a contract signed last year with the state, pays \$40 million and the much-hyped deal is off.

### **Restoration activist still hopeful**

Kirk Fordham, CEO of the Everglades Foundation, said he believes the deal will eventually go through, but predicted dire consequences if it doesn't.

"If a third party buys U.S. Sugar and undercuts the state, in all likelihood, the opportunity to restore the Everglades as we've envisioned here might be forever lost," Fordham said. "It's possible that any new land owner could conceivably chop it up for development, rock mining and other agricultural purposes that would leave Everglades restoration in the dust."

For its part, The Lawrence Group has said it would work with the state to sell some land needed for restoration, while keeping jobs and farmland in production.

The South Florida Water Management District, charged with overseeing Everglades restoration, said their agency remains committed to the deal. State officials did not return repeated calls seeking comment.

"The district has a contract with U.S. Sugar and is moving forward with the responsibilities under the terms of the contract," the agency said in a statement. "The district is not a party to discussions with other groups. At this point, speculation would be premature."

Under the proposal, the state would buy U.S. Sugar's land, but the company would keep its assets, including its mill, railroad lines and citrus processing plant.

U.S. Sugar would be allowed to lease back the farmland at \$50 per acre annually for seven years or more before turning it over to the state.

Florida Crystals, the state's second largest sugar producer and part owner of such well-known brands as Domino Sugar, has fought the state deal at every turn, claiming that the lease deal is below market value and gives an unfair business advantage to its competitor.

However, at the same time, Florida Crystals is in talks with U.S. Sugar to potentially purchase its assets, but only if a large chunk of the land is left in agriculture.

### **Politics of production**

The state has yet to lay out a definitive proposal for all the property.

"It all comes down to one number, and that number is how much land are you going to leave in production," said Florida Crystals Vice President Gaston Cantens. "If you don't have sugar cane to feed the mill, then the mill shuts down."

Cantens said his company has no interest in trying to undercut the state contract, and would never pay \$1.34 billion for U.S. Sugar, as the state intends. He also said Florida Crystals is prepared to work with the state on any land swaps that may be needed for restoration efforts.

However, if the state deal fails, Cantens said, Florida Crystals may be interested.

"There isn't a sugar asset in the world that we wouldn't consider buying," he said.

As for the current deal, Cantens said, "We're adamantly opposed," citing a land leaseback rate "that is well below market ... That is just wrong."

Lawmakers and other sugar growers in the region have also questioned the state deal, citing the high cost to taxpayers and what some see as the unfair competitive edge to U.S. Sugar.

February 24, 2009; by Paul Brinkman, South Florida Business Journal

## U.S. Sugar braces for possible hostile takeover

**U.S. Sugar Corp.** appears to be bracing for a possible hostile takeover as it attempts to finalize the sale of more than 180,000 acres of land to the South Florida Water Management District for Everglades restoration.

On Tuesday, the Clewiston-based company said its board of directors had adopted a stockholder rights plan and a dividend distribution of one "purchase right" for each outstanding share of its common stock.

Robert Coker, U.S. Sugar's senior vice president for public affairs, said the stockholder plan and purchase right distribution are legal tools designed to assure that stockholders receive "fair and equal treatment" in the event of a hostile takeover. "We've never done anything like this before, but our company has never been in play for sale before, either," he said. "There are many debates and discussions happening now about our company, and many people talking to the press."

The **Lawrence Group** of Tennessee has been attempting to buy the company for years. Coker said it's obvious from recent statements by the group that it is appealing directly to shareholders. Coker has said previously that the Lawrence Group declined to sign a confidentiality agreement that would start a formal negotiation with U.S. Sugar's board of directors.

U.S. Sugar recently concluded a 60-day "go shop" period for its assets, and it has acknowledged negotiations with competitor **Florida Crystals** and other suitors.

Coker said the term "hostile takeover" refers to a bidder that "does not negotiate with our board," that could offer a high price to certain stockholders to gain control of U.S. Sugar, while offering less to remaining stockholders.

The stockholder plan "is not intended to deter or discourage bona fide offers and proposals that the board in good faith determines are fair, advisable and in the best interests of all of the company's stockholders," he said in a news release.

The company said the plan would be triggered if someone buys 15 percent of U.S. Sugar's stock. It would allow the board of directors to initiate an exchange of "rights" for stock, in essence doubling the number of shares held by remaining shareholders. The hostile bidder would not receive the additional shares, and the hypothetical 15 percent would be diluted to about 8 percent, Coker said in the release.

U.S. Sugar stockholder groups include an employee stock ownership plan, historic owners from the Mott family in Michigan, and charities to which the Mott family donated shares.

Gov. Charlie Crist announced the state's plans to purchase the land in June. In November, the water management district and U.S. Sugar concluded negotiations and settled on a purchase price of \$1.34 billion.

The deal included a lease-back of the land for \$50 an acre for a period covering seven crop cycles. The sugar mill, refinery and citrus processing facilities; railroads; office buildings; equipment and the Gilchrist County citrus nursery are to remain the property of U.S. Sugar.

In December, after months of negotiations, the water management district's board approved the deal.