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Miami-Dade lawmakers raise concerns over state's sugar deal

12/10/2008
Miami Herald
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BY CURTIS MORGAN

cmorgan@MiamiHerald.com

Legislators from Miami-Dade County have called a meeting Wednesday to discuss their objections to the state's \$1.34 billion proposal to buy land from the U.S. Sugar Corp.

Rep. Juan C. Zapata, a West Kendall Republican who chairs the Miami-Dade legislative delegation, sent a letter to the South Florida Water Management District saying lawmakers were "extremely concerned" about making the deal when the state was in the midst of an economic crisis and cutting services to citizens.

The land buy, Zapata wrote, "appears to be nothing more than a corporate bailout."

While supportive of Everglades restoration, Zapata said in a statement, several members have "serious doubts whether this is the correct action to take at this time."

The briefing with the board's chairman, Miami attorney Eric Buermann, and its executive director, Carol Wehle, is scheduled for 2 p.m. Wednesday at the Miami-Dade Expressway Authority, 3790 NW 21st St.

The district's governing board is scheduled to vote on the contract Tuesday.

Rival Bidder Objecting to Florida's Deal With US Sugar

12/10/2008

Sun Sentinel - West Palm Beach Bureau

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Firm contends its offer would save money, jobs

A rival bidder for farmland the state plans to buy for Everglades restoration argued Tuesday that U.S. Sugar Corp. is shutting them out of a deal that could end up costing taxpayers \$1.34 billion.

U.S. Sugar on Monday approved a contract to sell the state 180,000 acres that could be used to help restore flows of water from Lake Okeechobee to the Everglades. The South Florida Water Management District has until Tuesday to decide whether to accept the deal.

The Lawrence Group, which manages farmland in the South and Midwest, contends that U.S. Sugar refuses to consider the investment group's alternative offer that could end up being a better deal for taxpayers.

As an alternative to the state buying all of U.S. Sugar's land and putting the future of the company's jobs in question, The Lawrence Group of Nashville, Tenn., proposes buying out U.S. Sugar, keeping as much land as possible in agricultural production

and selling the state only land needed for Everglades restoration.

On Tuesday, The Lawrence Group questioned how much of the state's money would end up being used to pay off U.S. Sugar debts, taxes and for "whatever payments may be made to U.S. Sugar executives."

U.S. Sugar maintains that The Lawrence Group's \$300 per share buyout plan lacks specifics and is not a binding offer.

The contract with the state that U.S. Sugar approved Monday still allows the company to "shop" for better offers for two months. But backing out and choosing another buyer after the district approves the deal would require U.S. Sugar to pay a \$40.2 million "break-up" fee to the district.

"Instead of waging a public relations and media campaign ... they need to make a real and substantive offer," U.S. Sugar Senior Vice President Robert Coker said.

Andy Reid can be reached at abreid@SunSentinel.com or 561-228-5504.

Rushed Land Sale No Good for Glades

12/10/2008

St. Petersburg Times

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A Times Editorial

Rushed land sale no good for Glades

The proposal for the state of Florida to buy U.S. Sugar's land is a historic opportunity to advance the restoration of the Everglades — but only if done right. The South Florida Water Management District needs to bring a better contract and work plan to the table Tuesday when the board is expected to vote. The proposal now is overly generous to the company and silent on major aspects of the restoration effort. If the board cannot change the contract or buy more time, it should reject the buyout.

Water managers will meet Monday and Tuesday to consider the \$1.34-billion proposal for the state to buy U.S. Sugar's 181,000 acres mostly on the southern side of Lake Okeechobee. Under the plan, the state would lease the land back to U.S. Sugar for farming for seven years or longer while it created a plan to convert the property into water storage and filtration areas. Reducing farming is critical to improving the water quality and flow from the Okeechobee basin south to the Everglades. Environmentalists see some of this land as a critical link in restoring the natural hydrology of South Florida.

The proposal is promising in concept, but the rush to meet Tuesday's arbitrary deadline does not serve the public. District staff members are still working to answer fundamental questions. Among them:

- How much would the deal cost? The district would fund the

purchase by selling bonds backed by property taxes, but the \$1.34-billion price does not include the long-term costs of financing. The district staff is working to provide three essential figures: The ultimate cost, the impact on the district's borrowing capacity and the taxing authority's long-term revenue stream. None of these answers are expected until Monday, which means the board will literally decide overnight whether the numbers work. The concern is that, especially in a deep recession, the district will not be in a position to support any ambitious restoration for years in the immediate future.

- Are the terms fair? Officials have not adequately explained why they are considering paying up to several hundred million dollars more than the property may be worth. The deal allows U.S. Sugar to lease the land for about one-third the market rate for six years, with a seventh year rent-free. The state would have to wait at least seven years to receive any significant chunks of land for restoration.
- How much land is needed and how would it be used? As late as last week, members of the water board were debating whether this was the right amount of land in the right place. The strategy calls for using some U.S. Sugar land for conservation and trading some other land with third-party landowners to re-engineer the water flow. But officials have no footprint or engineering plan on the table. Indeed, they expect any plan to take three years to craft and another several years to design. They also are not far along in talks over land swaps with other property owners. If the purpose here is connecting a restorative ecosystem, shouldn't the district have some assurance before buying the U.S. Sugar land that it can piece a system together?

The mere location of the land and the potential to jump-start Everglades restoration on such a broad scale make the proposal worth pursuing. Even on better terms, the deal would require a leap of faith. But at the moment the district has no plan, no real timetable and an uncertain revenue stream. The deal provides an orderly end to U.S. Sugar's operations but not an orderly administration of Everglades restoration. That should be the focus of the board's thinking, and if it takes longer to clear up than the next few days, let this deal collapse. The state and U.S. Sugar can always go back to the negotiating table.

Skadden Representing Bidder Looking to Shake Up U.S. Sugar Deal

12/10/2008

American Lawyer, The
Brian Baxter

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Posted by Brian Baxter

The largest land acquisition in Florida history could be on the rocks if a Nashville-based agricultural concern gets its way.

Represented by a team of lawyers from Skadden, Arps, Slate, Meagher & Flom, the Lawrence Group is seeking to scuttle the Sunshine State's \$1.34 billion acquisition of 187,000 acres of land from U.S. Sugar Corporation as part of a government plan to save the Everglades.

On Monday, the board of directors of Clewiston, Fla.-based U.S. Sugar announced that it had approved the sale of the company's real estate assets to the South Florida Water Management District. Under terms of the deal, 77-year-old U.S. Sugar, a leading sugar cane and citrus grower that has struggled in recent years with debt and rising costs, would wind down all operations over a seven-year period. The Water Management District's governing board will meet next week to vote on the deal.

Business litigation partner David Atkinson and capital markets partner Marybeth Bosko from Gunster, Yoakley & Stewart are serving as lead counsel to the company. Jones Day M&A partner Randall Walters and employee benefits partner John Cornell are serving as lead counsel to U.S. Sugar's management. Greenberg Traurig is understood to be representing several high-ranking U.S. Sugar executives and board members. (None of the lawyers named responded to requests for comment.)

U.S. Sugar executives estimate that shareholders would receive as much as \$365 per share over the course of the seven years covered by the state's deal. But according to the terms of the Lawrence Group's bid--first presented to the Water Management District in a letter on November 19 and then to U.S. Sugar--shareholders would be paid a flat \$300 per share at the time of closing.

The Lawrence Group is being advised by Skadden M&A partners Lou Kling and Kenneth Wolff, exempt organizations partner Daniel Kurtz, employee benefits partner Stuart Alperin, and commercial litigation partners Jay Kasner and Scott Musoff. Wolff says the engagement is the firm's first for the company, which retained the firm a month ago to try and preempt the state offer for U.S. Sugar.

'As any spurned bidder would be, we're unhappy and confounded by U.S. Sugar's decision not to speak with us,' Wolff says. 'They asked us to submit a formal proposal, which we did, but they went with the other deal when ours is better for [U.S. Sugar's] shareholders.'

SUGAR SHAREHOLDER ISSUES

The two largest shareholders of U.S. Sugar are a pair of Flint, Mich.-based charities, the Charles Stewart Mott Foundation and Mott Children's Health Center. Roughly 1,700 U.S. Sugar employees also own 35 percent of the company through an employee stock ownership plan. The state's acquisition agreement, sources say, would give shareholders of the privately held company some upfront payments at closing, further payments via distributions made from operations over the next seven years, and final payments from sales of U.S. Sugar assets

in 2016. That arrangement has some questioning the validity of the \$365 per share figure.

Among those doing the questioning: three former U.S. Sugar employees who filed a class action suit against the company in January. While a class has not yet been certified, plaintiffs lawyers from Coral Gables's Colson Hicks Eidson say they initiated the claim when a previously unsuccessful offer for U.S. Sugar by the Lawrence Group in August 2005 revealed that their clients' shares had been grossly undervalued at \$180 apiece.

Plaintiffs claim they were never told about the offer, which would have paid them \$293 per share, because U.S. Sugar chairman William White and the Mott charities kept it from them. So they sued White and Mott, who are being represented by Alston & Bird and White & Case, respectively, for damages based on the lost opportunity to sell their stock at a premium. (Gunster litigation of counsel Curtis Alva is representing U.S. Sugar in those proceedings.)

Stock valuation claims, which have been an issue for U.S. Sugar since it went private in 1983, were revisited this summer after the state's bid for the company effectively doubled its share price in shareholders' eyes from \$180 to \$365 per share. Despite that increase, sources familiar with the class action say that many current and former employees prefer the solid \$300 per share offer from the Lawrence Group than the somewhat more speculative \$365 per share from the state.

'[U.S. Sugar] doesn't even have a dividend now, so I don't think it's likely they're going to have distributions from operations in the next seven years,' says one lawyer knowledgeable of the matter. 'And based on the price that the State of Florida is paying for the land, it doesn't look they'll be much left to distribute to the shareholders.'

Wolff agrees, noting that it's only natural for U.S. Sugar employees to prefer a deal that guarantees them \$300 per share upfront and also allows them to continue in their jobs. 'Unlike the state's proposal, the Lawrence Group intends to continue operating the company,' says Wolff, adding that while his client has yet to reach out directly to U.S. Sugar employees, it has sent letters to the Mott foundations explaining the benefits of its deal.

But while the Lawrence Group's offer might present an intriguing option to both shareholder groups, the charities do present some potential problems. For one, U.S. Sugar chairman White is married to the granddaughter of the late Charles Stewart Mott. The charities have also signed agreements declaring that they will not sell their shares to an entity like the Lawrence Group pursuing a hostile takeover.

The New York Times reports that those complications could 'set the stage for a legal showdown' if the Lawrence Group's offer is gauged to be superior. (A lawyer for the Mott Children's Health Center, Walter Griffin of Flint's Cline, Cline & Griffin, did not respond to a request for comment.)

A 'WHITE-KNIGHT' BID

Sources familiar with the fate of U.S. Sugar tell The Am Law Daily that company executives have communicated to the Lawrence

Group that it can still make a white-knight offer even after Monday's vote and the planned Water Management District vote next week.

U.S. Sugar does have an out clause in its contract if it gets a higher offer for its assets, although \$40.2 million in break up fees would be due to the state if the company pursued such an option.

For his part, Skadden's Wolff maintains that the Lawrence Group can dovetail its agricultural operations with the state's efforts to restore the Everglades. Environmentalists have high hopes that the state's deal will help revitalize the wetlands by restoring the flow of water that has been diverted in past years for farming purposes.

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Editorial Sugar deal can be sweetened, but it's too good to pass up

12/10/2008
Jupiter Courier

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It's the one word many environmentalists use when describing the state of Florida's proposed acquisition of 180,000 acres of land in Clewiston from U.S. Sugar.

They differ only in the adjectives they employ to accentuate the opportunity.

'It's the most amazing opportunity we'll ever have to restore the River of Grass,' said Karl Wickstrom of the Rivers Coalition, a group of concerned citizens formed to stop discharges into the St. Lucie River and Indian River Lagoon.

'I just think there is an extraordinary opportunity here,' said David Guest of Earthjustice, an environmental advocacy group, of the proposed land deal.

'This acquisition represents one of the most important opportunities to protect the Everglades ecosystem in recent years,' said Michael Sole, secretary of the Florida Department of Environmental Protection.

Amazing.

Extraordinary.

Most important.

Most people readily agree that recreating the natural flow of water from Lake Okeechobee through the River of Grass to Florida Bay would have enormous, positive effects on South Florida's ecosystem.

However, several criticisms have been raised about the proposal,

which calls for the state to pay U.S. Sugar \$1.34 billion to acquire the property. Under the agreement, the sugar company would be allowed to lease the land for seven years at \$50 per acre and would be required to pay the South Florida Water Management District (the buyer) \$21.5 million to deal with contaminated farmland. U.S. Sugar also would place \$10 million in an escrow account to cover the costs of unforeseen pollution problems.

The sugar company also has an offer from the Lawrence Group of Tennessee, but has signed a contract with the water district.

The district's governing board has until Tuesday to approve or reject the proposal.

Opponents have raised a number of important issues:

Should the state allow U.S. Sugar to lease the property for \$50 an acre when typical lease rates range from \$125 to \$325 an acre?

Will the lease agreement create an unfair business advantage for U.S. Sugar, as other sugar growers contend?

Will the deal destroy the economic viability of local communities dependent on the sugar industry?

'This could literally bring us to our knees,' said Clewiston Mayor Mali Chamness.

Can the state afford a \$1.34 billion investment at a time of rapidly declining tax revenues?

Is this the best deal the Water Management District's governing board can obtain from U.S. Sugar?

The potential benefits far outweigh the numerous negatives.

Wickstrom foresees a rebirth of both the Everglades and the Indian River Lagoon if the deal is consummated.

'Plant and animal life in the Everglades will be reinvigorated,' he said. 'Our (St. Lucie) estuary, which would experience a huge decrease in the volume of water pumped out of the lake, would be gorgeous again.'

Additionally, 13 million pounds of phosphorus a year Wickstrom's estimate used to fertilize U.S. Sugar land no longer would pollute South Florida's ecosystem. And the opportunity to create 'world-class birding, world-class nature trails and world-class kayaking in the Everglades' could offset the loss of jobs in the sugar industry and 'provide many recreational jobs in the area.'

There are a lot of issues at stake here.

The Water Management Board should listen to Wickstrom. Every reasonable effort should be made to get the best deal for the state, but in the end the future of the Everglades turns on this acquisition and others like it.

Wickstrom has long argued that it is the relatively uninterrupted flow of sufficient water south, water that is not contaminated, that will sustain the Everglades.

This is a chance to re-open the way for that flow.

Florida's Everglades Deal: Sweet and Sour Mash

12/09/2008

SITE Selection

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It felt like you were going to work for the federal government," says Butch Wilson, remembering the day in 1976 when he first set foot inside U.S. Sugar's huge plant in Clewiston, Fla. – today a sprawling 1,700-worker operation that covers 187,000 acres (74,800 hectares). "The first thing they asked me when I went in for an interview was, 'Are you going to stay?'"

"That was the old corporate America," continues Wilson, propping an elbow atop a long brown desk inside a spotless conference room at the Chamber of Commerce in Clewiston, population 7,100. "Back then, we were still kind of isolated here. So they didn't want to waste their money and time training you, and then you use that as a stepping stone to move outside this area. They wanted people who were going to stay."

Butch Wilson definitely stayed. For 32 years, he stayed at U.S. Sugar's plant in south-central Florida, working his way up to a managerial role in information services. But Wilson's long stay stopped on Oct. 31st of last year. That was the day that U.S. Sugar laid him off, along with 31 other employees, many of them fellow long-timers.

"They said it was because of financial reasons," says the 57-year-old Wilson, who still sometimes says "we" when he talks about U. S. Sugar. "It's all about cost now, about money," he adds, his soft voice devoid of anger. "It's not personal. It's just business."

Butch Wilson's tale isn't uncommon in the Clewiston area. After peaking at about 6,800 employees in the 1940s, U.S. Sugar has steadily pared back its Clewiston work force – a reflection of the bitter competitive pills that the entire American sugar industry is trying to digest. "Practically every person here at one time had a relative or a friend who worked for U.S. Sugar," says Wilson, a sixth-generation Floridian.

Even now, though, U.S. Sugar continues to be the economic linchpin of Clewiston

Butch Wilson, director of the Clewiston History Museum, stands in front of a U.S. Sugar photograph of three young local ladies positioned in one of the area's sugar-cane fields.

Listed on the National Register of Historic Places, the Clewiston Inn was built along the city's Sugarland Highway in 1926.

Southern Sugar, a corporate predecessor of U.S. Sugar, built the structure in order to have a place to house its visiting executives and dignitaries. – which still bills itself as "America's sweetest town." And here in Hendry County, where unemployment stands at 14 percent, the company's 1,700 remaining jobs represent some sweet relief. On top of that, many of U.S. Sugar's ex-employees have become contract workers for the Clewiston-based corporation.

"The town and the company are one," says Wilson, who's now

director of the Clewiston History Museum. "The town is the company, and the company is the town. They're both so intermeshed in one another."

Evidence of that connection is ubiquitous in Clewiston. There's Clewiston High's Cane Field Stadium and the city's Candy Cane Park, for example, as well as local tennis courts and swimming facilities – all built over the years with matching grants from U.S. Sugar. In addition, the company also provided financial aid for college scholarships for employees' children, including two of Wilson's sons, who both attained master's degrees.

Now, though, the tight bond between U.S. Sugar and Clewiston might be coming undone. A more potent ingredient has been added to the area's sugary mix – Florida's drive to restore the state's endangered Everglades wildlife habitat. The state is nearing the completion of a US\$1.34-billion deal to buy the 181,000 acres (72,400 hectares) of land that surround U.S. Sugar's plant (see accompanying "By the Numbers" for details).

'Without the Land,
You Don't Have Anything'

Spearheaded by Gov. Charlie Crist, that pending deal could trigger a seismic shift in south Florida's economy.

On one hand, the state's purchase of U.S. Sugar's vast acreage could jump-start the lagging efforts to save the struggling Everglades, the United States' largest subtropical wilderness.

Turning the sugar cane fields back into marshes and waterways will help cleanse the ecosystem, carrying fresh water from Lake Okeechobee down to the Everglades. In essence, Florida's land buy could help preserve a national environmental treasure – at the same time strengthening tourism, still the state's biggest industry.

On the other hand, though, the Everglades deal has created vast uncertainties in cities like Clewiston, which is nestled

Clewiston Mayor Mali Chamness Pictured is a part of the vast swath of acreage that Florida may buy from U.S. Sugar. on Lake Okeechobee's southwest banks.

"We believe in Everglades restoration, but Clewiston and Hendry County should not suffer a negative economic impact," says Clewiston Mayor Mali Chamness, sitting at her desk at First Bank, which lies along palm-tree-lined Sugarland Highway, the city's main drag. Outside, American flags line the road, hanging from utility poles and storefronts and snapping in the morning wind. "Our concern is about the loss of jobs in the future," Chamness continues. "We've become more of a self-sustaining community, but we would not be able to do what we're doing without the jobs that U.S. Sugar provides."

For Clewiston, the mayor explains, there's one central question: Can U.S. Sugar survive without the huge swath of farmland around its plant?

"We're an agricultural community, and we're proud of the American farmer," says Chamness, who as a toddler in the early 1960s emigrated from Cuba to Clewiston. "Agriculture for over 70 years has provided the economic foundation and lifeblood for thousands of people in this region. The farmers here know that the local economy is all about the land. If you don't have the land, you don't have anything."

For the moment, though, the future of the land surrounding Clewiston is buried under a mound of unknowns. And that, the mayor says, has spawned a state of suspended animation.

"Everything here is at a standstill now, as I told the governor when I met with him in Tallahassee on Sept. 30th," explains

Chamness, a vice president at First Bank. "Work that people had scheduled to have done on their homes and businesses has been cancelled. And in retail, people are hesitant to buy things right now, not knowing what the future is going to bring. Everyone is trying to preserve what they have. It's cut back, cut back, cut back."

Over at the Clewiston Museum, Wilson shakes his head and rubs his brow as he considers the welter of unsettling events that's pressing down on his community.

"Of all the times for this thing with U.S. Sugar to happen," he says. "For us to be facing this mess this year, with all the uncertainty of the economy."

A local farmer harvests the cane in Hendry County.

U.S. Sugar's corporate headquarters is located in downtown Clewiston.

Can Ethanol Fill the Economic Gap?

Clewiston's shaky sense of security isn't hard to fathom. After all, U.S. Sugar came to this area in 1931 because of the rich soil surrounding Lake Okeechobee, the nation's second-largest freshwater lake. With its "custard apple muck," that acreage has reliably yielded the sugar cane that's fed U.S. Sugar's mill – and the local economy.

In seven years, though, that scenario will likely see a radical change. After seven crop cycles, the state is scheduled to begin assuming control of U.S. Sugar's land, initiating the restoration work there.

And that's when the big questions begin for U.S. Sugar's facility. Just what does a sugar mill do without any cane fields surrounding it? What can it make?

Ethanol, perhaps.

U.S. Sugar announced on Nov. 17th that it had "entered into an agreement . . . to explore building" a large ethanol facility in Clewiston, partnering with Warrenville, Ill.-based Coskata. The two firms have been in talks since August about possibly constructing a \$400-million plant that would produce 100 million gallons (379 million liters) a year of cellulosic ethanol.

"We see this technology as a perfect complement to our existing sugar mill, not to mention a win for the environment, the farming community and for our employees," U.S. Sugar Senior Vice President of Public Affairs Robert Coker said of the potential joint venture.

Coskata's public profile spiked up sharply early this year, when the company announced that it had developed a technology to make cellulosic ethanol for less than \$1 a gallon. Then in April the fledgling company unveiled plans to build a commercial demonstration plant near Pittsburgh in Madison, Penn., that would produce 40 million gallons (152 million liters) a year of cellulosic ethanol.

The companies will ask for state and federal aid for the project, U.S. Sugar officials say. The two firms are likely to find receptive ears in Florida. Gov. Crist has been touting ethanol production as an ideal job-generator if U.S. Sugar shuts down.

U.S. Sugar's Clewiston refinery, which can process as much as 800,000 tons (728,000 metric tons) of sugar a year.

U.S. Sugar's Clewiston mill as the sun starts to set.

'Not a Warm and Fuzzy Feeling'

In Clewiston, however, the prospect of a new ethanol plant hasn't assuaged many anxieties, it seems.

"I think it's a great idea," says Chamness. "I'd love to see us less

dependent on foreign oil. But there's not a single ethanol blending facility in the state. That's huge. Maybe in seven years, there will be one in Florida.

Clewiston sits on the southwest banks of Lake Okeechobee (pictured), the nation's second-largest freshwater lake.

"I recently read that 27 ethanol plants have closed lately," she continues. "They're in the Midwest and based on corn. But nonetheless, the fact that they've closed doesn't give us a warm and fuzzy feeling about Coskata."

Those reservations are echoed by the Hendry County Economic Development Council (EDC), based in LaBelle, the county seat.

"An ethanol plant would be good for the area economy," EDC Grants and Special Projects Director Ron Zimmerly tells the SiteNet Dispatch in an e-mail interview. "Alternative industries must be added to the local area, industries that would not adversely affect the environment and have a meaningful rate of success. But all the negative environmental issues have not been resolved with ethanol. In addition, the outlook for ethanol does not look good at this time for a viable alternative fuel source." Nonetheless, it could be significant for the venture's future that Coskata's ethanol production technology doesn't depend on the controversial use of corn as the central feedstock. An ethanol plant in Clewiston would initially run on sugar cane leaves and excess bagasse, according to U.S. Sugar. But Coskata's flexible technology would give the plant multiple other options if the Everglades deal ultimately eliminated local sugar cane production. The Clewiston plant – which would be the world's largest second-generation ethanol facility – could run on anything from switch grass and wood chips to agricultural waste and garbage, Coskata officials say.

Converting to environmentally friendly ethanol would also give U. S. Sugar a much-needed boost in the court of public opinion. The company has been intensely criticized for years for the pollutants created by cane growth and sugar production. In ethanol, though, the company would have a product that, compared with conventional gasoline, could reduce greenhouse gases by as much as 96 percent.

Devilish Details

But the introduction of ethanol – or anything else, for that matter – won't likely add much near-term clarity to the current situation in south Florida. By any measure, the scenario surrounding the sale of U.S. Sugar's land is extraordinarily complex. In point of fact, no one at the moment really seems to be in a position to know what the future holds.

Florida Gov. Charlie Crist has led the state's efforts to buy U.S. Sugar's land.

"Doing something this big is not easy," Gov. Crist told a Nov. 17th press conference held in the Everglades to mark the end of negotiations with U.S. Sugar. "It's hard to envision in the first place, and then it's hard to work through the details."

And in this deal, the devil certainly seems to be in the details. Moreover, the process of firming up the project's specifics could be a long time coming, all signs indicate. In the meantime, speculation is running rampant.

Unsurprisingly, in the communities that will be most affected, there's a wave of worries centered on what, for them, is the worst-case outcome – U.S. Sugar's shutting down.

"Here in Clewiston, there's no doubt that [closing] would be an economic devastation," says Chamness. "It would mean not only the loss of 1,700 jobs at U.S. Sugar, but it would also have a

much larger ripple effect in our community."

A report released in late July detailed just how big a ripple U.S. sugar's demise would create. The Clewiston plant's shutdown would eliminate 10,711 jobs statewide, according to a study by the Institute of Food and Agricultural Studies (IFAS) of the University of Florida. Ninety percent of that impact, IFAS researchers concluded, would be felt in Palm Beach, Hendry and Glades counties, which would lose 8,935 jobs, plus \$1.43 billion in revenue and another \$598 million from related business.

Residents of Hendry and Glades counties would be hardest hit, with their personal incomes cut by as much as 25 percent, the study found.

"We've already felt a crunch over the years with the layoffs at U. S. Sugar," explains Chamness. "Some people who were laid off have left our community or taken lower-paying jobs.

"We love it here, and we don't want to leave," she emphatically adds. "We don't want businesses to close or families to leave. We want to preserve our way of life."

U.S. Sugar Senior Vice President of Public Affairs Robert Coker
A Brighter Prospect

On the other hand, it's still conceivable that south Florida's economy could see far more moderate changes in the wake of U. S. Sugar's land sale. The Clewiston sugar plant could possibly continue normal operations, with nearby communities' economies largely unscathed.

The outcome will rest on the decisions that are made by the South Florida Water Management District (SFWMD) – the state entity that would own U.S. Sugar's land. The SFWMD must first decide how much of U.S. Sugar's 181,000 acres it needs for Everglades restoration. Then the agency must determine if it's willing to lease enough land back to the company to make the plant economically feasible.

Florida Department of Environmental Protection Secretary Mike Sole indicated in June that his agency didn't need nearly all of U. S. Sugar's acreage to achieve the state's goals for Everglades restoration. Perhaps more than 100,000 acres (40,000 hectares) of the land, he said, could be leased back for farming – an assertion that was promptly denounced by some environmental activists.

SFWMD officials say that it will take them at least two years to determine just how much acreage they'll need to protect and improve the quality, quantity, timing and distribution of water north of Lake Okeechobee. During that time – and for five years after that – U.S. Sugar would be able to lease back its land and continue normal operations.

"It's not the next seven years we're concerned about," says Chamness. "It's the after the seven years. It took us five years here to create the Clewiston Commerce Park, and we have yet to create the first new job. So we know that seven years will be here very quickly."

The city's new park did secure an anchor tenant: Bonita Springs-based City Mattress, which in June of 2007 announced that it was going to build a 100-employee manufacturing plant in Clewiston. That project, however, has been put on hold. "City Mattress tells us that they're still planning to come here," Chamness explains, "but they're waiting for the economy to settle down."

Coskata's Warrenville, Ill.-based laboratory (pictured) developed the technology that can produce cellulosic ethanol for less than \$1 a gallon.

Photos: Coskata

'There is Common Ground'

In similar fashion, it will likely be a while before the situation settles down for cities like Clewiston. The state's Everglades restoration initiative is a massive undertaking, with byzantine details to work through. In the meantime, anxieties are pretty much a given in the region's communities.

"I believe that there is common ground," Chamness emphatically notes. "I believe we can do Everglades restoration and agricultural businesses can continue to operate.

"But I don't think any of the affected communities have been given a seat at the table in deciding what happens," she adds. Sugar cane growing in a field just outside Clewiston.

Raw sugar pours down into one of the warehouses at U.S. Sugar's Clewiston operations.

"What we need here now is an economic transition plan to get us over the next seven years to where we need to be. The SFWMD has been great about getting us information, but they're not in the economic development business. We're holding the state and OTTED (the Florida Office of Tourism, Trade and Economic Development) responsible for our future."

OTTED may well be fashioning an economic transition plan for the Glades region. Repeated requests for an interview with the agency for this feature, however, went unanswered.

Crist likewise has made few public statements about the U.S. Sugar deal. What he has said, though, indicates that he's fully aware of communities' concerns.

"It's all about jobs, jobs and jobs. That is so important in these hard economic times," the governor said last month, after the state re-jiggered its agreement with U.S. Sugar to allow the company to keep its plant and infrastructure. "This gives us the opportunity to save jobs while we are saving the Everglades." Crist sounded a similar note after Chamness and Hendry County Commissioner Kevin McCarthy visited him on Sept. 30th to voice their concerns: "Jobs in the area are critical to the future of the region," Crist said in a statement. "To complement a sustainable agricultural industry moving forward, jobs must be maintained." For U.S. Sugar, at least, the Everglades deal offers a more concrete outlook. The sale would provide the company with a massive influx of cash flow – as well as a window in which to mull over its options.

"At the end of seven crops, we will either continue to operate the facilities or sell them based on the best interests of our shareholders," Coker said as the revised sales agreement with the state was announced on Nov. 17th. "Every employee we have today, we plan to keep on," he said.

Still, sugar operations aren't faring well in the United States. From 1996 to 2007, the American Sugar Alliance has reported, 34 cane and beet mills closed – roughly 40 percent of the total U.S. industry.

11th-Hour Offer Adds Further Complication

In addition, there's now a substantial catch in U.S. Sugar's plan to sell most of its land to the state:

The deal might not happen.

Another potential buyer has mounted an 11th-hour offer. The Lawrence Group, one of the largest owners of U.S. farmland, on Dec. 1st made a formal bid to buy all of U.S. Sugar.

Gaylon Lawrence Jr. of the Lawrence Group, which has made a late bid to buy U.S. Sugar. And the Nashville-based company didn't make its proposal to U.S. Sugar's board of directors, which

entered into the land sale agreement with Florida. Instead, the Lawrence Group went straight to the company's shareholders. "The Lawrence Group is committed to sell to the SFWMD the land it wants and needs for Everglades restoration purposes at a far lower cost to the taxpayers than would have resulted in either of the two proposals from U.S. Sugar management," Gaylon Lawrence Jr. said as the bid went out. "There is no question that our formal offer and commitment to operate U.S. Sugar for years to come will save jobs and avoid the devastation of local Glades economies, home values and tax bases that would likely occur under U.S. Sugar management's proposal."

U.S. Sugar officials have played down the significance of the Lawrence Group's bid. Coker called it "a swiss cheese offer." The company's offer, he pointed out, included a clause that identified the bid as a "non-binding indication of our interest."

Meanwhile, The Sugar Cane Growers Cooperative of Florida (SCGCF) has voiced its opposition to the state's proposed purchase of U.S. Sugar's land in a Dec. 1st letter to the SFWMD board.

"The deal as currently constructed," wrote SCGCF President and CEO George Wedgworth, "would imperil the very livelihoods of the small and medium-sized farmers who make up the cooperative by turning USSC into a super-competitor, especially given the diminutive lease-back rates and [U.S. Sugar's] ability to pay off its reported hefty debt."

U.S. Sugar's \$50 per acre costs for leasing back its land are three to four times less than the going rate, the SCGCF charges. The co-op contends that it would be willing to lease the land for as much as \$150 an acre.

Deadline Looms for Decision

All this maneuvering will come to a head at the SFWMD. The agency has been carefully keeping its own counsel of late. The organization's board, however, will have to reach a decision – soon – about buying the Everglades acreage. Under the terms of the contract framework firmed up last month, the SFWMD must formally approve the buy of U.S. Sugar's land by Dec. 16th. And that leaves Glades region communities right where they've been all along – still on the sideline, pondering a future that they've had no power to shape.

"Our voices have not been heard at all," says the Hendry EDC's Zimmerly. "It seems as if people – families and their needs – are being overlooked in order to satisfy the perceived need to restore the Everglades.

"Who will restore us, if that is possible?"

The Clewiston History Museum displays many of the tools cane-field workers used before the advent of mechanized harvesting, including shin guards, gloves, wrist guards and machetes.

The Everglades Deal: By the Numbers

The terms of the proposed sale of U.S. Sugar's land to the South Florida Water Management District (SFWMD) include:

- \$1.34 billion: The total price the state would pay for the company's land. Florida initially proposed a \$1.75-billion deal that would've included all of U.S. Sugar's assets.

South Florida's Everglades, the nation's largest subtropical wilderness

Photo: U.S. Geological Survey

- \$21.5 million: The amount that U.S. Sugar would pay the SFWMD for environmental remediation on the land that it's selling.

- 181,000 acres (72,400 hectares): The amount of land that the SFWMD would buy, which is roughly equivalent to the size of New York City.
- Seven years: The period in which U.S. Sugar would be allowed to lease the land it's selling back from the SFWMD.
- \$50: The per-acre lease rate that U.S. Sugar would pay, which is three to four times lower than the area's average rate, some critics have charged. During the agreement's seventh year, U.S. Sugar would pay no lease costs.
- \$1.05 billion: The total amount that industry analysts say that U.S. Sugar could potentially make on farming the leased land for seven years, provided that domestic sugar costs remain at current levels.
- 10,000 acres (4,000 hectares): The amount of land that the SFWMD can take control off, with a one-year advance notice, at any time during the seven-year lease agreement.
- 6,000 acres (2,400 hectares): The approximate amount of land that U.S. Sugar would continue to own, including its sugar mill and refinery, citrus processing facilities, railroads, offices, and equipment.

Source: Florida Governor's Office

U.S. Sugar \$1.34 billion land deal opposition increases

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Palm Beach Post - Online

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In an effort to derail the proposed \$1.34 billion buyout of U.S. Sugar Corp. land, three top executives with competitor Florida Crystals Corp. met Tuesday in Tallahassee with unidentified representatives from Gov. Charlie Crist's office, the Department of Environmental Protection and the South Florida Water Management District.

The governor's press secretary, Sterling Ivey, said he was unaware of the meeting.

'We are in Tallahassee to have conversations with the state about all this money they are giving away,' said Gaston Cantens, the vice president of West Palm Beach-based Florida Crystals.

Cantens, with company Vice President J. Pepe Fanjul Jr. and General Counsel Armando Tabernilla were there 'to make sure there is no misunderstanding about what our position is and what our objections are,' he said.

In June, Crist proposed buying out U.S. Sugar entirely for \$1.75 billion and using its land to restore the Everglades. In November, Crist announced the state would buy only the company's land for \$1.34 billion, which would allow U.S. Sugar to keep its manufacturing works and remain in business indefinitely. Monday, U.S. Sugar's board agreed to the deal.

The South Florida Water Management District has until Dec. 16 to

vote on the contract.

Opposition is growing. In a letter from the Miami-Dade County legislative delegation to the water district, the South Florida lawmakers wrote that the deal 'appears to be nothing more than a corporate buyout.' They raised concerns about an increase in taxes for 'our already overtaxed constituents,' during a severe economic recession and emphasize that the district, which is an appointed panel, does not have to answer to voters.

The delegation is expected to meet with water district officials today.

Opposition from Clewiston and Glades area residents, whose economy depends on sugar operations, continues.

'The whole deal has changed so much,' said Chris Shupe, president of Olde Cypress Community Bank in Clewiston. 'If the deal goes through as it is on the table now, ultimately it spells the demise of the Glades' economy, especially Clewiston,' Shupe said. 'Without a mill and refinery, you don't have the jobs. Without the land, there is no reason for a mill and refinery. The idea that they have tried to float that they will import cane from Mexico or that ethanol will take its place is ludicrous. It defies logic and common sense.' Given U.S. Sugar's clout in their community, Carl Berner, president of Berner Oil Co. in Clewiston, said he and other leaders have put their 'heads on the chopping block' by speaking out against the buyout as proposed. Others are afraid to speak out for fear of retribution against their businesses, Berner said.

But, he added, 'Somebody has to stand up and say, this is wrong. Let's slow this process down.' In fact, it's not a done deal. U.S. Sugar is a Delaware corporation, and under Delaware law, an investment bank will have two months to shop the company to other potential purchasers. One may already be waiting in the wings: The Lawrence Group, a Nashville-based farming company with extensive Florida citrus holdings, has offered \$300 per share for the company.

U.S. Sugar maintains the privately held firm has not made a formal offer.

The Lawrence Group counters that it made offers in writing, but that U.S. Sugar has refused to meet with it. 'We believe the Board of Directors of U.S. Sugar has clearly breached its fiduciary duties to its stockholders,' said The Lawrence Group's Gaylon Lawrence Jr. in a statement released on Tuesday.

However, following the Tallahassee meeting, Florida Crystals' Cantens said objections to the deal made by the trio of executives fell on deaf ears. 'Nothing has changed,' he said.

State lawmakers plan sugar hearing

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State lawmakers in Miami-Dade County are questioning the wisdom of the states planned \$1.34 billion buyout of U.S. Sugar Corp.

A press release from state Rep. Juan Zapata, R-Miami, chairman of the Miami-Dade legislative delegation, said the delegation of lawmakers has serious concerns about the expense and effectiveness of the buyout, which is designed to restore a natural flow-way of water between Lake Okeechobee and the southern Everglades.

The lawmakers announced their own public hearing, to be held at 2 p.m., Wednesday, to gather input on the sale of land to the South Florida Water Management District.

The hearing will be at the Miami-Dade Expressway Authority, 3790 N.W. 21st St., in Miami.

According to the press release, Zapata sent a letter expressing concerns and inviting water district officials to brief lawmakers. The districts governing board is set to vote on the buyout Dec. 16. U.S. Sugars board approved the sale contract Monday. Although we are all supportive of the Everglades restoration and restoring its natural flow, several members have expressed serious doubt whether this is the correct action to take at this time, Zapata said in the release.

State Rep. Erik Fresen, R-Miami, said in the release he has grave concerns with the concept of an unelected board spending over \$1 billion of taxpayer funds on land at a time when I'm having to tell social service, health care and education providers that we're making major cuts that will affect our most vulnerable citizens. Meanwhile the U.S. Sugar board's approval of the sale was blasted by The Lawrence Group of Tennessee, which has attempted to make a competing offer to buy the sugar giant in its entirety.

A press release from The Lawrence Group expressed 'surprise and extreme disappointment at the announcement yesterday that the Board of Directors of United States Sugar Corporation had approved the contract.'

U.S. Sugar approves \$1.34b sale

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TALLAHASSEE, Fla., Dec. 9 (UPI) -- U.S. Sugar said its had authorized a \$1.34 billion agreement to sell 181,000 acres to the state of Florida, a deal now waiting local approval.

"We signed the deal on the table," said U.S. Sugar Senior Vice President Robert Coker, The Miami Herald reported Tuesday. 'Now, it's in the hands of the (South Florida) water management district,' he said.

The board of the South Florida Water Management District has until Dec. 16 to approve the deal. But state laws in Delaware, where U.S. Sugar is incorporated, mandate a two-month waiting period to allow the company to consider other offers.

Coker told the Herald that U.S. Sugar would 'shop around,' for other offers.

The Lawrence Group, an agricultural company from Tennessee, has made an offer of \$600 million for U.S. Sugar and argues that keeping the company going has more value than allowing the land sit idle as a environmental investment.

While approving the deal, U.S. Sugar also approved a retention and severance package for workers. The deal allows the company to lease the land for seven years, the newspaper said.

