US: Hostess to close three plants as strikes continue

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Hostess Brands said it was permanently closing three bakeries as a series of strikes continue by members of the Bakery, Confectionary, Tobacco Workers and Grain Millers International Union (BCTGM). The facilities located in Seattle, St Louis and Cincinnati produce bread and snack foods and employ 627 workers.

The strikes, which began November 9, have impacted Hostess operations from coast to coast, reportedly affecting 23 of the company's 36 plants. The walkouts follow the imposition by a bankruptcy court of draconian concessions. These included an immediate 8 percent wage cut, with total cuts to wage and benefits in the range of 27 to 32 percent.

The company stopped making payments to the workers pension fund last year and in September bakery workers voted by a 92 percent margin to reject concessions that were later imposed by the bankruptcy judge. The BCTGM, with a membership of 5,680 at Hostess, covers about 30 percent of the company's total workforce.

Members of the Teamsters union, who narrowly approved concessions in September, are not honoring the bakery workers picket lines. The Teamsters has contracts covering some 7,500 Hostess workers. Hostess says it is operating full production at about half of the struck plants.

With some 500 distribution centers across the United States Hostess is one of the largest bakeries in the country. It makes Hostess brand snacks such as Twinkies and is also the producer of Wonder Bread.

Hostess President Gregory Rayburn is threatening to liquidate the company if the strikes continue. "I think the timeline for us to have to make that determination is very short," said Rayburn. "We're talking days, not weeks."

Rayburn said that no talks with the bakers union are planned and that the company has "zero tolerance" for any modifications of the concessions.

Rather than call an official companywide strike the bakery union left it to individual locals to walkout, beginning with plants in Lenexa, Kansas; Biddeford, Maine; Columbus, Indiana and Northwood, Ohio. The strike spread as workers at other plants honored picket lines set up by workers sent from the struck facilities.

The bankruptcy filing by Hostess was the second by the company in eight years. Following its first bankruptcy filing in 2004 members of the BCTGM took huge wage and benefit concessions while 21 plants were closed and thousands of jobs eliminated. Predictably, after pocketing worker concessions, the company then gave lavish bonuses and pay raises to executives and made big payouts to the hedge funds that owned Hostess.

Hostess again filed for bankruptcy in January 2012, saying it again needed drastic concessions from its workforce in order to continue business, specifically citing pensions and health benefits. It listed assets of $982 million against liabilities totaling $1.43 billion. Hostess currently has some $2 billion in unfunded pension liabilities to the BCTGM and Teamsters.

Private equity firm Ripplewood Holdings is the majority stakeholder in Hostess while hedge funds Silver Point Capital and Monarch Alternative Capital are the company's major lenders. Ripplewood has ties to former Democratic US House Majority Leader Dick Gephardt, whose son, Matthew, was recently appointed to the Hostess board as an independent director at a salary of $100,000 a year.

The company is facing intense competition in the snack food industry, which is contracting due to increased awareness about healthy eating. Sales last year were down 11 percent from 2008 and 28 percent from 2004. It lost $341 million in fiscal 2011.

In October Hostess received court permission to impose its concessionary contract terms on members of the bakery union. It also proposed eliminating some 20 percent of the workers in the bargaining unit.

In response to the announced closure of the three plants the bakery union has made it clear it will take no action to defend workers' jobs. It has not issued any specific demands and indicates it has no further plans for expanding the strike. In a press release Tuesday, the union claimed that the plants set for closure were among the nine Hostess planned to close under terms of its reorganization plan, indicating it had no intention of contesting the job cuts.

Insofar as the BCTGM has a strategy, it appears to be to allow Hostess to go into liquidation in the hopes that its assets will be purchased by a rival company that will recognize the union.

In a letter to Hostess employees in May BCTGM President Frank Hurt wrote, "If Hostess abrogates our contracts and our members are forced to take action, and Hostess goes off the market, we believe the production assets will be purchased by competitor companies. If a simple majority of the workforce is retained, the new employer is required by law to negotiate a first contract."

Meanwhile, thirteen hundred members of the BCTGM remain locked out at Crystal Sugar after more than fifteen months at five processing plants and other facilities in Minnesota, North Dakota and Iowa. The processor of beet sugar is demanding that workers pay higher premiums on health insurance and surrender grievance and seniority protections. The company has maintained production at its struck facilities through the use of strikebreakers.

In the midst of the lockout at American Crystal Sugar CEO David Berg told stockholders that the wages and benefits won by workers through past struggles were like a disease. Adding, "we can't let the labor contract make us sick for ever and ever and ever."

The BCTGM and the AFL-CIO have taken no action to defend the locked out Crystal Sugar workers other than to announce a toothless consumer boycott. Even with the lockout the company's net revenues rose 25 percent in 2011 to $1.5 billion.