HAWAII'S BIG SIX
A CYCLICAL SAGA

By EDWARD GREANEY

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Writing in a London trade newspaper in 1887, a railroad promoter from the Sandwich Isles termed his mid-Pacific kingdom the "hub of the Western World."

Benjamin Franklin Dillingham, attempting to raise British capital to launch Hawaii's first railway, was given to hyperbole. But as he explained to his readers, the kingdom's strategic location for steamer routes, its land, people, climate and harbors: all foretold a bright future of vigorous growth. Here was an investor's paradise "which only awaits the magic touch of capital and industry to yield a rich harvest of tropical produce."

Of course, it required a certain ingenuity to recognize such prospects. Hawaii's only natural resource, sandalwood, had been depleted long ago. These islands were only islands after all, small ones at that and placed in the middle of the world's vastest ocean. Their arable lands were rich but limited, only a small portion of their aggregate land mass. They had been drawn into the orbit of western civilization for just over a century and the cultural shock had decimated the native population. Their location and harbors had been important during the Pacific whaling days but they had passed. There was no gainsaying the climate, true, but how could climate and natural beauty sustain economic life in a place so remote?

Finally, the Kingdom was obviously politically unstable – a potpourri of Polynesians, European and Asiatic immigrants, and New England missionary stock. Mr. Dillingham found few takers in London, the world's capital market of that day.

The story of Hawaii's "Big Five" companies – and the Dillingham organization – dominates the state's economic history. That history represents a tapestry wherein insular control and internationalism interweave, giving some credence to Dillingham's turn-of-phrase at least in terms of the Pacific.

Three began business as traders who viewed the wide Pacific as their market. A metamorphosis to one-crop farming came early. Yet today [1976] they have come full cycle: all are venturesome entrepreneurs with world-ranging, diversified lines of endeavor.

They share a common thread, however: a link to the soil rapidly being transplanted to the world at large. Their experience gained in large-scale corporate agriculture is being widely applied as famine rises to the top of the global agenda.

A Harmonious Corporate Quintet

Summaries of their success stress their ability to work in corporate concert. The Big Five organized such collective instruments as the Hawaiian Sugar Planters' Association, Sugar Factors, California & Hawaiian Sugar Refining, the Pineapple Growers Association and Research Institute, and the Hawaii Employers Council. These were part of their economic reign in "tight, little islands." But they were also responses to external forces: Claus Speckles, the West Coast refiner; the Eastern Sugar Trust, and the Pacific Coast maritime union, the ILWU. HSPA and PRI scientists and technologists fostered some of the most advanced agricultural methods in the world, providing the critical edge to survive increasing production costs by boosting yields.

Honolulu's small business community in the first half of this century did weave a spider's web of interlocking corporate and family interests able to entrap the unwary commercial interloper. However, individuality existed, thanks to the varied backgrounds of the ruling commercial organizations. Amfac was a German house until World War I while Davies has always flown a British jack. C. Brewer, started by Boston mariners, was passed on to "missionary boys" and now is controlled by a Philadelphia conglomerate. Castle & Cooke and Alexander & Baldwin have missionary origins but the former were shopkeepers and the latter farmers. Finally, B. F. Dillingham was a New England sailor who broke his leg while in port at Honolulu, settle down to clerking in a hardware store and in middle-age became a debt-driven promoter of real estate and railroads. They were quite capable of squaring off at each other from time to time. Alexander & Baldwin and Dillingham's railway waged a "Kahuku war" over lease rights, which featured midnight train rides and penal summonses. The railroad was at odds with Castle & Cooke over waterfront interests for years, although they joined forces to start Oahu Transportation Company after World War II. Amfac's predecessor and Davies were "aliens" after annexation.

Politically also they were known to part company on occasion. The overthrow of the monarchy could hardly be termed a Big Five coup (or a Big Four one since Alexander & Baldwin wasn't in business until the following year). The revolution was supported by Castle & Cooke, opposed by Davies and split the boardrooms of Brewer and H. Hackfeld & Co., Amfac's predecessor. Annexation gave American capital investment greater stability. But it also meant that the sugar industry's infusion of oriental labor would come under keener political scrutiny.

The diverse origins of these enterprises are best explained against a broad outline of Hawaii's economic history.

A Place on the World's Economic Map

Following Captain Cook's arrival, Hawaii's primitive economy gave way to one of strategic geography. While a trade deficit with the outside world persisted, commerce was based upon a complex trade triangle. New England shipmasters would stop in the Islands for refreshment and provisions before sailing to the Pacific Northwest fur trading outposts. The furs were then shipped through Hawaii to Canton and the Far East. After filling their holds with goods and spices of the Orient, these ships would stop at Hawaii again to outfit and prepare for the arduous voyage around Cape Horn to New England. This trade gave rise to Hawaii's first natural export, sandalwood. Transactions were by barter since little specie circulated. By 1836 Hawaii's sandalwood had been depleted. Native demands for imports exceeded the islands' ability to export or to render services to Pacific shipping until the large whaling fleets appeared on the economic horizon.

Earlier Kamehameha I had established a commercial policy for his kingdom. In the 1820's Hawaii signed its first trade treaty with a foreign government, the so-called "Articles of Arrangement" with the United States. Several Hawaiian chiefs outfitted vessels and traded directly with the outside world, though most transactions were conducted by the foreign community. In these years the nucleus of a commercial community took form. The three oldest of the Big Five, Brewer, Davies and Hackfeld, began business by trading consignments of merchandise from Boston, Canton, Liverpool or Bremen for sandalwood, skins, furs, sperm oil or whalebone which they could assemble and trans-ship in payment for the goods received.

Thus these houses helped to set the stage for a period of balanced and sustained commercial activity between 1845, when whaling was on the rise and the process of land tenure began, and 1867, by which time farm exports exceeded imports. Agricultural products – sugar, coffee, and hides – and commercial services joined forces between these years to enable Hawaii to balance her external accounts. Commercial services were of two kinds. One was provisioning whalers. The other was Hawaii's development as a re-export and international distribution center. For a few years re-exports of foreign goods were greater than domestic exports and large enough to pay for a third of island imports. Just prior to the California Gold Rush, merchandise consignments were building up in Honolulu warehouses unable to attract buyers. The gold boom soon drained them off, however, as they were trans-shipped at inflated prices to the West Coast. Their returns provided the capital for the traders to grubstake the early sugar farmers of the 1850s.

This period of commercial development was, generally, a prosperous one and sponsored a thriving business community. A balance was struck with the outside world by means of services to the whaling trade, distribution of foreign cargoes, and increasing exportation of Hawaii farming products. By the end of the period, the whaling fleets were disappearing. The economy was shifting from transshipment and re-export of foreign cargo to increasing emphasis upon products of island agriculture – sugar later joined by pineapple.

In this rough chronology the third period, one of agrarian surpluses, lasted from the late 1860s until 1937 and was dominated by sugar and pineapple. Sugar took hold during the Civil War when the North was cut off from its supply of the commodity from the South. Ship chandlers and traders in the port of Honolulu had taken on the functions of buying and selling for the rural and outer island plantations . It was an easy extension for these agents to go from supplying seasonal lines of credit for the plantations to becoming their full-scale financial backers. When this was accomplished, the cornerstone was laid for Big Five dominance in the business life of the islands during the first half of this century. Their role required them not only to lend the growers credit but to "ship their sugar and molasses, find buyers from Auckland to Liverpool and way-ports in the United States, protect their interests, drum up labor and fight their battles," as financial writer Jared Smith expressed it in a 1946 article.

By 1866 there were thirty-two plantations and millers in the kingdom as compared with a dozen six years earlier. Sugar exports had climbed in this period from a million and a half to nearly 18 million pounds. With America's Civil War ended, however, the bottom fell out of the market. The biggest of the Hawaii sugar factors, Walker, Allen & Co. with 12 plantations and mills, folded and the Honolulu Sugar Refinery closed for refinancing. The industry rallied under a quota contract with a West Coast refiner and the infusion of oriental immigrant labor as a matter of government policy. In 1869 exports, including transshipments, exceeded imports and two years later, in 1871, exports of domestic goods – essentially sugar – were worth more than imports. From then on the kingdom had a favorable balance of trade.

Sugar A See-Saw Pursuit

Still sugar was a cyclical business and the islands were a tiny kingdom. While Canada, Australia and New Zealand became customers for island sugar shipments, two thirds of the crop was going to the United States West Coast. Annexation to the U.S. would provide immunity from tariff changes and alleviate competition from other off-shore producing areas. Failing that, a reciprocity treaty would be the next best objective and this was finally achieved in 1876. The treaty did not repeal the business cycle for the industry; 1879 was a panic year and the mid-1880's were bleak. But it did lead to rapid expansion, fueled by importation of both labor and capital. From 1890 to 1893, however, the McKinley Tariff admitted sugar duty free, negating reciprocity's economic benefits.

The aftermath of this period left the factors and the farmers strapped and encouraged the trend away from partnerships to limited liability corporations. In 1894 Davies and Castle & Cooke adopted corporate life, following Brewer's earlier lead. Hackfeld followed in 1897.

Then in 1898 the Spanish-American War shut down Cuba and Puerto Rico for the American market and once again in the wake of war Hawaiian sugar prices spurt upwards. Annexation came the same year.

As the century began in 1900 the industry's export value reached $27 million. In 1920, when sugar's price skyrocketed, this value peaked at $159 million; then declined to a $60 million annual level in the 1930s.

The Commission System

By then the power of the sugar factors had reached its peak. In the early years of the industry planters became dependent on their agents for ordering machinery, supplies, and imported labor. The agent also negotiated the sale of the crop in the American market. The mechanics of the commission system certainly favored the agent over the planter. But the agents argued that the system proved itself in bad times when their influence with banks and governments kept the plantations afloat. In truth their ability to raise capital was their most important function and led to their role as stockholders in their client-grower companies. Also over time their services broadened to embrace accounting and tax assistance and technical counsel in both factor and field operations.

Also some were known to consider other crops than sugar. Both Davies and A&B took up cattle ranching early. Paul Isenberg of Hackfeld experimented with a variety of crops in Kona and settled on coffee. His house also went into pineapple after James Dole had pioneered the way. So did the Maui Baldwins and others in the A&B orbit. When Dole ran into financial troubles during the depression, however, it was Castle & Cooke that became the leader in this field by taking over his enterprise.

Pineapple grew steadily after the first decade of the century to become a $50 million export in the late ‘30s. These agricultural goods dominated Hawaiian exports and maintained a favorable trade balance until 1937 when New Deal aid and federal expenditures were called upon to fill the gap.

Thus, in the 1930s Hawaii’s economy had the same four basic pillars as it has today, but sugar and pine carried most of the load, followed by federal spending; tourism was a weak fourth.

World War II’s “mobilization boom” brought profound change as military expenditures and payrolls ballooned. Again the trade balance was on the plus side, inducing net capital inflow, adding to investments and inflating prices.

Exports in the immediate postwar period grew but imports expanded even more, causing persistent trade deficits of more than $100 million a year. The reduced military expenditures in the late 1940s were insufficient to fill the gap; capital drained out. Disinvestment characterized the Hawaiian economy.

In sugar, postwar mechanization of field operations cut the labor force as wages spiraled thanks to collective bargaining with a militant industrial union, the ILWU.

Recovery began in 1950. Tourist expenditures quadrupled in the following decade. Far more significant, however, was that exports remained stagnant while imports greatly increased. Only large jumps in military spending permitted the economy to offset the trade deficit and to continue its growth.

Their Power Begins to Wan

The first real break in the Big Five’s tight commercial power came in this decade. First Amfac and Davies saw their commanding position in grocery wholesaling dwindle away in a few short years thanks to supermarket chain methods and the purchasing cooperatives of the independent stores. By the mid-50’s strong undercurrents of change were evident. Mainland retailers – Long’s, Woolworth, Hartfield – were coming in and in certain cases, introducing a type of price competition entirely new to Hawaii. Mainland capital began to come into the territory for the construction of new hotels and apartment houses. Henry Kaiser arrived to build the Hawaiian Village complex. The islands were receiving mainland media attention, strengthening a brisk pickup in tourism. Trust companies began to have some success in slowly unloading the holdings of Hawaiian securities in their trust accounts.

This removed estate administrators, living by the “Prudent Man” rule, from the Big Five boardrooms, paving the way for professional management to prove itself in risk ventures. Both trust officers and agency executives recognized the merits of geographic diversification as their oligarchical sway over the territory’s economy gave way to new forces. With labor no longer cheap, plantations increasingly capital-intensive and sugar returns declining, the time had come to seek new horizons – at home and abroad. Real estate development and tourism appeared as promising new avenues for expansion. Then came Statehood and the boom was on.

In the 1960’s tourist expenditures soared, fueling accelerated growth and bridging the commodity gap. In this heady atmosphere most of the six companies obtained Big Board listings for their securities and were able to pursue acquisitions far and wide in a rising stock market.

There was more to this growth than price-earnings ratios, however. The Big Five were old companies in declining industries – pineapple and sugar – situated in an insular economy. There was no incentive to invest further in their existing businesses. Yet tax laws penalize the return of excess capital to investors. At A&B, for example, family stockholders found themselves locked into a cash-rich investment they couldn’t tap. Finally they swapped their holdings for a spin-off of “a piece of the action,” namely Maui Pineapple and its real estate potential.

In 1974, however, none of the new lines of endeavor for the five was as profitable as was sugar once again. Soaring world prices and the lack of a national sugar act combined to ring up record profits. But as price subsided at mid-decade with no domestic production legislation in sight, the industry was once more vulnerable to the cycles of its early years.

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C. BREWER & CO.

Oldest of the six organizations, C. Brewer & Co., Ltd. was the first to export sugar farming expertise to the world at large, the last in this century to diversify beyond sugar, and the first to have its public ownership shift from Hawaii's shores. Started by Bostonians, the balance of corporate power in its 150th year lies in Philadelphia.

Company historians trade its beginnings beyond its namesake, Captain Charles Brewer, to another mariner from Boston named James Hunnewell, who first arrived in Hawaii in 1817 aboard the *Bordeaux Packet.* The ship was sold to native chiefs. The captain asked Hunnewell to stay on in Honolulu to collect the balance due on the vessel. This he did by accepting sandalwood as the medium of exchange and shipping it for sale to Canton. He next appeared in the islands as second officer of the brig *Thaddeus,* bearing the first company of New England missionaries. With a command gained under missionary auspices, a creaky craft called *Missionary Packet,* he engaged in the sandalwood trade with China before establishing his own business in the primitive village of Honolulu in 1826. He shipped general merchandise for exchange with furs and skins on the American coast. These he would send with Hawaiian sandalwood to the Chinese market, where it was possible to remit to Boston. Before 1830, his trading had ranged from Alaska to Manila. In that year he turned over the business to his young clerk, Henry A. Peirce, also from Boston, having parleyed a $5,000 investment into assets valued at $67,000 in four years. Leaving Peirce with $20,000 to carry on the firm, he returned to Boston where he spent the next 36 years as an exporter before retiring.

Under Peirce's management, the business thrived both as a trans-Pacific trader and as an importer and retailer for the kingdom as well. Kamehameha III was his largest credit customer. As the islands' sandalwood stock ran out, Peirce picked up the economic slack as a chandler for an expanding whaling fleet. He took in a partner who brought to the firm a supply of otter skins and a quarter interest in the ship *Don Quixote.*

In 1836 Charles Brewer, another Boston sea captain, came ashore to join the firm as a partner. Two years earlier Brewer had served as master of a brig, chartered by Peirce from Kamehameha III, on a voyage to China and Kamchatka which doubled the firm's capital. Peirce, serving as supercargo, visited a Russian settlement on the trip and its Governor later sought Peirce's aid in securing a tract of land in Hawaii to raise wheat for shipment back to Kamchatka. The prospect of a military title from the Czar, a pension and the Russian consularship for Hawaii were among the inducements offered, but history does not record that Peirce had any luck pursuing the matter with Kauikeaoli.

In 1843 Brewer bought out Peirce, who had returned to Boston, and gave the business its present name. As a matter of historical accuracy, however, Brewer and his own subsequent partners dissolved their business in 1847 but merchandise representing the captain's stake in the enterprise was turned over to a nephew, Charles Brewer 2nd – hence the claim to continuity. A good case can be made that it was the nephew who actually founded the present-day organization by hanging out the C.Brewer & Co. shingle once again in 1859. (Sullivan 1926, pgs 87-88 and 114).

Peirce, Hunnewell and Captain Brewer continued as partners in trading voyages from Boston to Honolulu and San Francisco, building up one of the great sailing fleets of their day. Peirce is credited with advancing the growth of sugar in Hawaii by shipping the first quality milling machinery here from Boston in 1851. He also persuaded a mechanic, David M. Weston, to accompany the shipment. Weston, founder of Honolulu Iron Works, was able to adapt the centrifugal separator to cane grinding. Peirce and Brewer also were absentee subscribers in 1850 to the formation of the Royal Hawaiian Agricultural Society, which was responsible for the first labor immigrants from China in 1853. Later Peirce returned to the islands, where he served in the 1870's as American Minister to Hawaii and then, briefly, as Kalakaua's Minister of Foreign Affairs.

Charles Brewer 2nd acquired a sugar plantation on Maui in the 1850's that was able to market 200 tons in 1859. But it was his successor as head of the company, island-born Henry A. P. Carter, who steered its fortunes toward sugar in the following decade.

From Ship Chandler to Sugar Factor

In the 1860's, under Carter's leadership, the House of Brewer made the transition from provisioning whaling ships to factoring for sugar plantations. In 1863 the firm was agent for three Maui plantations responsible for marketing their output of raw sugar, molasses and syrup; purchasing equipment and supplies, and securing credit. The partners realized they were in an ambiguous position. They were selling their own goods to the plantations for which they were agents in preference to other plantations; at the same time, they were conducting a general merchandise business. Therefore they reduced their inventory and established a policy of handling goods only on consignment, strengthening their position as agents for the interests of the plantations. This ethical decision curtailed the company from developing as a diversified mercantile house.

In the following decade, Carter, who had traveled widely, became an articulate champion of annexation as a means to improve the life of native Hawaiians by assuring greater economic stability. (A few years later, however, the industry was to decide Hawaiians were an inadequate and insufficient labor source.) In 1874 Brewer became agent for the Kauai plantations while Carter, appointed to Kalakaua's Privy Council, was commissioned the Kingdom's representative to the United States to negotiate the reciprocity treaty achieved two years later. By then Brewer had advanced beyond a commission agent's role with the plantations by extending seasonal lines of credit that rapidly evolved into a factoring function. Reciprocity brought expansion that was beyond the firm's capacity to finance. The San Francisco house of Welch & Co., a creditor of the Kauai plantations, extended a substantial line of credit to the agency as well and began representing its interests on the American mainland. Banker Charles R, Bishop became a silent partner of Brewer in 1880. He put up $100,000 at 10% interest plus one third of the net profit. In 1883 Carter's successor as managing partner, Peter Cushman Jones, incorporated the company with a capitalization of $550,000. The four largest stockholders were Bishop, Carter, Jones and Andrew Welch & Co. At this time Brewer plantations accounted for 12 percent of the Hawaiian sugar crop. Jones sold a portion of his stock to Charles M. Cooke of Lewers & Cooke, son of Amos Starr Cooke, the missionary-turned businessman who was co-founder of Castle & Cooke.

Jones relinquished the Brewer presidency to Joseph O. Carter, older brother of Henry. Joseph Carter's tenure was brief – three years during the "sugar free" McKinley Tariff period. His financial policies were at odds with his directors (he preferred withholding dividends to acquiring bank debt) and so were his politics. A royalist, he favored restoration of Liliuokalani to the throne. Cooke, on the other hand, was prominent in the Queen's overthrow and in annexation efforts, and besides had acquired Bishop's holdings in the corporation. Jones, who had served as Minister of Finance in the Provisional Government after quitting the same position under the Queen, returned to the presidency. Day-to-day affairs were delegated to a manager, however, while Jones spent much of his time establishing Hawaiian Safe Deposit & Investment Co. From this venture sprang both Hawaiian Trust Co. and the Bank of Hawaii. In 1899 Jones stepped down a second time in favor of Cooke, who had succeeded him also in the Bank of Hawaii presidency the year before.

Annexation Brought Acquisitions

Annexation brought more American capital and business expansion. In the year Cooke took the helm, Brewer acquired stock in Honolulu Iron Works and California & Hawaiian Sugar Refining and participated in organizing a fertilizer company. Other corporate investments followed under Cooke's regime. In 1901 the company sold its sailing fleet, acquired for shipping sugar, to Matson Navigation

Co.'s predecessor in exchange for stock and thus became a Matson stockholder when that company was established in 1908. Brewer participated in organizing Mutual Telephone Co. in 1909 and in the same year began negotiations to acquire Wm. G. Irwin & Co.

Irwin had been Claus Spreckels's partner in his Hawaiian sugar ventures and had continued to superintend their development after the sugar baron had left the islands. Now he was ready to retire. The acquisition was consummated on January 1, 1910, and doubled the amount of sugar produced by Brewer plantations, 25 percent of the industry's production. By virtue of the merger Brewer acquired control over vast fee simple lands and, effectively, became the largest corporate landholder in the territory. The transaction also broadened Brewer's activities by providing the company with both insurance and steamship agencies and a small merchandise department representing Baldwin Locomotive Works. (By then Brewer had withdrawn completely from commission merchandising.) The company now had a capitalization of $2.2 million.

Before World War I the corporate patterns of Big Five power had formed. Plantations as well as agents adopted corporate organization with the agencies acquiring substantial, often dominant, stock positions in the plantations that they represented. The "agency" function had evolved far beyond marketing, shipping and purchasing to one of central management. Nor was this management confined to business matters. Honolulu provided technical direction for field and factory. For all practical purposes, the agent-factor had become a holding company for a plantation network.

Brewer established a technical department in the same year as the Irwin acquisition. The brilliant Alonzo Gartley was hired to head it as "supervising inspector" of plantations. At 40, Gartley already had an outstanding record as manager of Hawaiian Electric Co. and advisor to Mutual Telephone Co.'s board on undertaking an automatic telephone system. Within eight years, Gartley's innovations in milling machinery for Brewer had made him famous throughout the cane sugar world. A gifted executive of wide-ranging intellect, Gartley was named manager of Brewer in 1918 but died three years later at the age of 51, one of the most notable individuals the Hawaiian sugar industry has produced.

Sugar prices fell in 1913. On the eve of war in Europe, the industry was once more depressed and facing expiration of tariff protection. This time roles reversed: Brewer went to the rescue of Welch & Co., which was reorganized as a Brewer affiliate. With war underway sugar prices rallied; armies on the march in central Europe disrupted the beet industry there and forced western European countries to turn to Cuba for the commodity. As the war dragged on, plantations prospered, eliminating debt and building up cash reserves. These offset losses in 1918, a year of poor crop, higher costs and price control.

At war's end sugar prices soared and then plunged. Tariff protection resumed. C&H Refining went under, unable to sell its refined product at even prices paid to the plantations for the raw commodity. It was reorganized as a cooperative with Hawaii's plantations as common stockholders, sharing expenses and paying a toll on sugar shipments processed; the Big Five were preferred stockholders. The year 1920 was remembered also for the first sustained labor strike in the industry – among Japanese laborers on Oahu plantations lasting six months. In the early '20's large numbers of Japanese workers left the plantations and were replaced by more Filipino immigrants.

In 1925 the industry was producing 777,000 tons, with Brewer plantations accounting for 193,000 tons. Celebrating its 100th anniversary a year later, the company declared it had grown "from a small trading store to a $12 million sugar corporation of today." (Sullivan 1926 pg. 185)

Between World Wars: Hawaiian Sugar's Zenith Years

Hawaii's cane raising prowess was perfected in the years between the two world wars. The early plantation managers were meticulous record keepers, building up a wealth of information on irrigation, field and mill experience. Also Brewer's land department, for one, imposed formidable statistical reporting standards on the plantations. The industry's experiment station scientists and technologists had a vast amount of historical data with which to work in perfecting cane varieties, cultivation, and milling techniques. Imagination and innovation came into play as well in crop experimentation, insect eradication and factory design. The industry was responsible for importation of non-indigenous plants and trees as possible crops for non-sugar lands held for water rights or other purposes. Brewer's land manager searched the world over for a fruit tree variety that could thrive in Maunawili, source of the Waimanalo plantation's irrigation system.

The '20's were good years for Brewer stockholders. Even in the depths of the depression their directors regarded the company's own fortunes as secure enough to launch construction of the distinctive office building at Fort and Queen Streets still in use today. The company continued to prosper throughout the '30's, gaining a reputation for liberal employee salaries and benefits and generous dividend payments.

Brewer paid a heavy price for this policy of generosity in the following decade. At the end of World War II the corporation was badly undercapitalized and in no condition to face labor strife and the costs of mechanization in the fields. In labor negotiations, Brewer was the weak link in the Big Five chain of resistance.

Along the sheer "Scotch Coast" of Hamakua on the Big Island, cane had been hand-cut and shot from highland fields to lowland mills via wooden flumes. Then the raw sugar was shipped to the port of Hilo by a railroad that bridged deep ravines with trestles. The 1946 tidal waves took out the trestles and killed the railroad. Conversion to mechanical harvesting and automotive transportation consumed capital at a heady rate. Road building came high. Management turned for more and more help to the bank founded by Peter Jones and Charles Cooke – until the tab was in the tens of millions. Then the bank balked and Brewer found itself on the brink.

In 1952 new management was brought in. Alan S. Davis, the new president, was a one-time Castle & Cooke man with a management record that spanned theaters and tuna canning. Boyd MacNaughton, a Hawaiian Pineapple financial executive, signed on as his second-in-command. The bank of Charles R. Bishop worked out a financial pool with several California banks and a long-term loan arrangement was negotiated with Prudential Insurance. Brewer began working its way back to solvency.

Mainland Investors Recognized Land Value

At the Honolulu Stock Exchange these troubles were fully discounted. A Philadelphia broker, vacationing in the islands, became intrigued by how cheaply Brewer was being traded, especially given its large land holdings. His name was Howard Butcher and he became a heavy buyer for himself, his clients and a company he controlled named General Waterworks. By 1956 a substantial portion of Brewer's stock had shifted to mainland hands and the trend toward majority control leaving the territory was clear.

MacNaughton became president in that year and he promptly abolished the historic agency contracts whereby plantations paid their factors commissions. These commissions had been the heart of the agency system up to that time. Many were calculated by using the "spot" price of raw sugar in the New York commodity market to place a price tag on plantation shipments to C&H refinery. This system had been much criticized since an agency's return bore no relationship to the cost of services it provided and only an indirect relationship to western market conditions. MacNaughton replaced the contracts with a pure service fee arrangement and other factors eventually followed suit. This change spurred the factors to increase their ownership in their plantations and operate them as subsidiaries. A related incentive was the Internal Revenue code provision allowing a corporation to file a consolidated income tax return for subsidiaries in which control was 80 percent ownership or better.

Once A Global Trader, Brewer Became A World Sugar Planter

Brewer first became a global cane grower in 1955 when the Shah of Iran was seeking expertise to resurrect his country's sugar industry of biblical times. A former Honolulu businessman, working for a finder's fee, had approached the company with the Shah's proposition. His aides viewed the venture as a way to stem their foreign exchange drain while also providing employment.

Thus the company embarked on exporting expertise under the banner of a subsidiary, Hawaiian Agronomics. Success in Iran was followed by another lucrative assignment in Ecuador. Iran's neighbor, Iraq, asked Brewer to nurture cane for that country also. The State Department also came calling for the company's services in assessing Brazil's prospects in sugar.

Encouraged by the returns in this fee-for-service field, Brewer in 1961 decided that its post-war experience in Hawaiian field mechanization would pay off handsomely in Puerto Rico, where the industry was still labor-intensive. This was a large equity undertaking, acquiring an existing partnership with an annual production of 160,000 tons. It was decided to run the operation from the parent company in Honolulu rather than through its international arm. But the "Puerto Rican adventure," as some insiders ruefully termed the project, turned out to be a costly failure. The Puerto Ricans were hostile to mechanical harvesting and rejected labor displacing innovations with sniper fire and sabotage.

In 1966 Brewer directors decided to cut their substantial losses in that commonwealth as soon as the following year's crop was in. The island's government picked up the project's mills and sugar lands. For years after Brewer sold off remaining land holdings in large tracts.

In all Brewer has done business in 60 countries and in recent years has taken equity positions as well as fees in its overseas assignments.

Farming Diversification Undertaken

Under MacNaughton in the late '50's, Brewer began comprehensive experimentation to develop plantation lands not used for sugar. They included pasturage, watershed lands and arid Ka'u desert. These efforts included growing citrus crops and Christmas trees, mangoes and macadamia, avocados and acerola. They were concentrated in the Ka'u district of the Big Island and led to the company's entry into meat and macadamia.

On this island Brewer took up ranching, meat processing, fertilizer and insurance. A fertilizer subsidiary was organized to buy the Hilo plant of Pacific Chemical & Fertilizer. Within two years the subsidiary had expanded its plants to Oahu, Maui and Kauai. Recently its name was changed from Ultramar to Brewer Chemical. Also from a Big Island base, the Hawaiian Insurance & Guaranty Company absorbed Brewer's insurance agency business. It grew to be the state's largest locally-owned insurance company within eight years after Brewer had acquired it in order to become an underwriter.

Brewer marketed its first macadamia crop in 1966 and in 1974 bought out Castle & Cooke's macadamia business to become the world's largest producer and marketer of the product. (By virtue of a recent farming project in Guatemala, Brewer also is the world's largest producer and distributor of cardamom, a spice important to the baking industry and also used in Scandinavian and Arabian countries as a coffee additive).

The company took fliers in sugar-related acquisitions on the East Coast in the '60's. One was National Molasses Co. of Jenkinstown, Pa., a supplier of cattle and chicken feed and industrial molasses with plants on the Gulf, Great Lakes and in the west as well. Another was the New York sugar brokerage house, Czarnikow-Rionda, one of the largest traders on the sugar exchange and a respected force in the world sugar market with a London affiliate. In 1973 Brewer sold controlling interest in the house but retained a Florida cane sugar plantation it had owned. (A non-sugar related flier was a Gulf Coast barge builder which built a fertilizer barge for Brewer in 1970 to transfer bulk fertilizer from the mainland.)

Land development for "leisure time" endeavors was undertaken in the late '60's. In 1969 Brewer directors acquired Kilauea Volcano House, the crater-side motel-restaurant; gave the green light to a resort development scheme for their non-cultivate Big Island lands; and bought MacKenzie Travel, one of the state's largest package tour-ground transportation companies. (The tour buses were sold late in 1975.) The resort plan launched "Seamountain-Hawaii" at Ka'u, an incremental development that includes Punalu'u Village, golf courses, and a Hawaii branch of the Aspen Institute. Nearer Hilo, Waiakea Resort Village and Marketplace with 300 rooms opened in 1972. As resort developers and hotel operators, however, Brewer has yet to achieve much success. A number of its real estate plans were written off in 1974.

Today Brewer directors term agriculture as the company's primary activity. A continuing "modest involvement" in real estate and travel-tourism is a secondary pursuit so that "lands in Hawaii not suitable for agriculture may be utilized or sold in an orderly and constructive way." (1974 annual report)

Emphasizing this renewed dedication to farming, Brewer in recent years has gone into partnership with Pacific Resources to develop large-scale rice growing and milling on Sumatra, has acquired two Oregon potato producers, and has purchased a rice, livestock and poultry business in the Solomon Islands.

In 1969 International Utilities, successor to Butcher's General Waterworks, acquired a 54 percent majority position in Brewer's stock. Calling policy shots from Philadelphia for the Honolulu-based global agri-business hasn't been easy. In the next six years Brewer had four presidents and two board chairmen, a turnover at the top unprecedented in the ninety-odd years since incorporation. Now known as IU International, the Philadelphia parent announced in November 1974, its intention to make a tender offer to purchase up to 80 percent of Brewer's stock at $30 a share. But Brewer directors said they could not pass judgment on such a tender without an outside appraisal of Brewer shares. An appraiser, The First Boston Corporation, was retained in 1975 and suggested a price of $37 a share would be a fair one for minority stockholders. IU failed to respond to this appraisal, however, and the matter was dropped. In 1975 Brewer had a capitalization of $58 million with 4.5 million shares outstanding.

In the fifty years since its centennial, C. Brewer & Co. has grown from "a $12 million sugar corporation" to a $300 million global farming organization. The sea-trader James Hunnewell came to Hawaii transporting missionaries of the Christian faith. Today the house he founded sends forth its own agricultural missionaries from our fertile islands to a famine-engulfed world.

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THEO. H. DAVIES & CO., Ltd.

Theo. H. Davies & Co., Britain's commercial bastion in the mid-Pacific, was the first to "go global" in its pursuits, although it is the smallest of the six companies. Today it is part of an even more venerable English mercantile house based in Hong Kong.

The firm traces its beginnings back to 1845. In April of that year James and John Starkey, Liverpool merchants engaged in overseas trade, met at their solicitor's office to form a partnership with Robert Cheshire Janion, an experienced trader interested in going out to the Sandwich Islands. Paperwork behind them, the three men chartered a vessel and filled it with general merchandise valued at $80,000. With Janion as supercargo, it set sail for Honolulu. On arrival in August Janion rented a room on Nu'uanu Street near the waterfront and hung out a sign "Starkey, Janion & Co." (Later the same year he negotiated a lease for a Ka'ahumanu Street site from Kamehameha III for "only 299 years," as he wrote to the Starkeys, since "this was the best I could do.")

The resident partner was soon advertising his wares and striving to develop an export business with what little Hawaii had to offer. Thanks to the whaling trade and prosperity on the Pacific coast, the firm quickly prospered. Transactions were handled by barter with the Hawaiians, specie and gold dust with the whalers. With the Starkey brothers functioning as home country buyers, the house soon had its own fleet of sailing ships plying the seas between Hawaii, the West Coast, where a San Francisco branch was maintained for a time, and England. As agent for Lloyd's of London Janion began underwriting cargoes leaving Honolulu harbor.

By 1851, Janion and the Starkeys had parted company. In the following year, Janion left Hawaii to return to Liverpool and take up the responsibilities of his former associates. To succeed him in Honolulu Janion appointed a fellow countryman named William Green, whom he had hired two years earlier. Then in 1856 he persuaded a Welshman, 23-year-old Theophilus Harris Davies, son of a Ludlow clergyman, to go out to Hawaii as a clerk for Green under a five-year contract. By this time Janion & Co. had introduced fire insurance to the islands as agents for Northern Assurance Co. of London and was acting as agent for an early island cattle ranch. It was agent also for a Liverpool underwriter, British & Foreign Marine Insurance Co.

Young Davies took to his new surroundings readily and soon found himself befriended by the Dowager Queen Emma. While a venturesome and persuasive businessman, he was also a keen reporter with a Welsh lilt to his descriptive prose. The Big Island eruption of 1859 and horse back riding with the Queen were among the topics of his dairies. Green, who was admitted to the firm by Janion in 1859, offered Davies an opportunity to open a branch in British Columbia, which existed for several years. But the clergyman's son turned it down, saying he had no taste for selling liquor to Indians. He differed with Green in other regards as well, believing the older man gave more attention to his shell collection than to business. Nor did he appreciate Green's wine-and-women lifestyle, which once embraced an affair with a missionary's wife.

Nevertheless Davies relished the island and left, when his contract ended in 1862, with sharp regret. Janion asked him to return the following year under a new three-year agreement. At this time, the firm first entered the sugar business as agent for a Lahaina plantation. Davies pursued this new line of endeavor but by the end of his second term, the firm was in bad straits. Janion persuaded Davies to return once more in 1867 to reorganize the house and satisfy what creditors he could. He did so while opening his own firm in 1868 with Janion as a partner, bringing Liverpool capital in 1870. The original business was merged with the new partnership in 1871.

Given his head and free of Green, Davies proved himself an aggressive promoter, playing a key role in the organization of Hamakua, Laupahoehoe, Niuli'i, Kaiwiki and Union Mill plantations on the Big Island. He was adept at raising capital in London and helped finance a total of 22 plantations during his career.

In 1875 Davies took the lead in refinancing David Weston's Honolulu Iron Works repair shop into a stock company. As the new corporation's president, Davies hired as manager a Scotch engineer then operating a small Hilo foundry. The new manager was Alexander Young with whom Davies joined forces to organize Waiakea Mill Company. Years later Davies was a stockholder with Young in the organization of von Hamm-Young Company, forerunner of The Hawaii Corporation. Principals were Young's son Archibald, and Conrad C. von Hamm. An early project was the Alexander Young Hotel.

Davies Served as Guardian to Princess Kaiulani

Toward the end of his career, Davies divided his time between Honolulu and his Nuuanu home, Craigside, and England, where he maintained a home at Southport called Sunset in Hesketch Park. It was there that he served as guardian to Princess Kaiulani during her years in English schools.

He became increasingly involved in civic affairs in these years and spoke out on community issues. In 1892, he wrote a newspaper article critical toward an U.S. naval station at Pearl Harbor (permitted under the reciprocity treaty but not acted upon until after annexation). Such a station would be an inviting target which would put Honolulu under bombardment as well, he argued. An attacking force might capture the station and bring Hawaii's independence to an end, he added.

The following year Liliuokalani was overthrown. Davies tried to persuade the U.S. minister to allow the Queen to abdicate formally in favor of Kaiulani and a revised constitution. Later he took the young Princess to Grover Cleveland's second inaugural and a call at the White House. It has been speculated that Davies had some responsibility for Cleveland's opposition to both the Queen's overthrow and annexation.

Back home his business was thriving despite political upheavals and sugar setbacks. In 1892 the company opened a steamship department as agent for Canadian-Australasian Line, which began service in that year. Later the department represented Canadian Pacific, Cunard and many others. In 1893 grocery, dry goods and hardware departments were set up and the following year, when the company incorporated, a Hilo branch was opened. Four years later Davies died.

Under his will Francis Mills Swanzy was designated the founder's successor as managing director. The board honored this bequest and elected Davies's son, T. Clive, to membership at the same July meeting six weeks after his passing. Born in Dublin, Swanzy had married into the missionary Judd family and became Davies's partner in 1890.

Swanzy guided the house's fortunes for nearly 20 years. At a board meeting in February of 1917, T. Clive Davies and Ernest Hay Wodehouse were appointed co-managing directors. Swanzy, 67, was elevated to president. The meeting was held in the morning. Swanzy, who was absent, was ill in bed at his Manoa home. That afternoon his colleagues received word he had died.

Under Wodehouse Regime Davies's Interests Go Global

Wodehouse, island-born son of the British minister to the kingdom, served as superintendent of the postal savings bank under Kalakaua and Liliuokalani before joining Davies in 1895. Under his administration in 1921 the company built a massive Florentine headquarters and warehouse structure covering an entire downtown block. It served until the late 1960's, when the present 23-story Davies Pacific Center was constructed on the same site at a cost of $18 million.

During his regime also, Davies expanded to the Philippines in 1928, opening a Manila branch. In the '30's the company built up a heavy investment in four Philippine sugar plantations. Other Big Five members had more modest holdings. The Philippine government suggested that Big Five investment in job-creating industry within the country would be well, given its contribution to Hawaii's labor supply. This set the stage for the Hawaiian-Philippine Company, a large milling enterprise established with Big Five money, staffed by HSPA technologists and represented by Davies. In the post war years it ground the harvest of 200 independent Philippine growers cultivating some 19,000 acres of cane. Today the company is still represented by Jardine-Davies, Inc.

Honolulu Iron Works, in which Davies invested and which shared Davies's principal stockholders, directors and officers but had no legal ties with the company, also ventured to the Philippines, where it acquired a dry dock and shipyard. The iron works opened a New York engineering office that dispatched factory design specialists throughout the world whereever sugar was processed.

Under Wodehouse and his successor, John E. "Jack" Russell, who served until the mid-1950's, Davies grew to be second only to Amfac in territorial wholesaling. It operated Honolulu's pioneer retail grocery chain, Piggly-Wiggly, until the mid-1950's also.

Geoffrey C. Davies, T. Clive's son, became board chairman in the '50's and was succeeded by Gerald M. Wilkinson, who had built the Philippine subsidiary into a large mercantile force in that country's business life – even more diversified than Davies itself. James H. Tabor, an attorney and former Dole executive first recruited to head the iron works, succeeded Russell as president and in turn was succeeded by the company's long-time merchandise manager, Harold E. Weidig. Following Wilkinson's death and Weidig's retirement, directors went to Manila once again and tapped Wilkinson's successor, Milton Pickup, to head the parent company.

By the 1960's Davies Began Running Out of Steam

For a time in the '60's Davies operated a building materials subsidiary in Spain with headquarters at Madrid but back in Honolulu the parent company was barely treading water. Its grocery department had scaled down to a small brokerage activity in the previous decade. In the late '60's and early'70's the company closed or sold off the drugs, dry goods, hardware and contract furnishing departments. Mergers and consolidations reduced the company's Big Island sugar plantations from five to three. Profits in merchandising were meager and returns on plantation investments were low. The iron works affiliate was sold to a mainland buyer that retrenched its activities drastically.

In 1967 Dillingham Corp. made a tender offer for Davies stock to the company's 200 stockholders in Hawaii and England. Management fought the overture and the bid for control failed. Directors passed a five-to-one stock split in an effort to discourage future raids but also began to do some corporate soul searching.

Enter Jardine, Matheson & Co.

Jardine, Matheson & Co., based in Hong Kong, began as a trading company founded by two Scotsmen in 1812. Operating in 16 countries, Jardine activities run the gamut of the commercial spectrum and are located in the United Kingdom, the Middle East and South Africa but are concentrated throughout the Pacific. There were gaps in Jardine's network, however; it had no interests in the Philippines and only negligible business in the United States. In the early '70's Jardine and Davies had gone into a joint venture in Thailand to distribute air conditioners. Other joint ventures were discussed and then the prospects of merger were broached. In 1973 Jardine acquired Davies for $55 million, paying Hawaiian stockholders cash and English stockholders stock. For this price, the Hong Kong conglomerate received title to Davies's 35,000 acres of cane land in addition to mills and other plantation facilities plus the Honolulu headquarters building. It also acquired the diversified Philippine operations, perhaps the strongest attraction of all from Jardine's vantagepoint. Today the subsidiary reports directly to Hong Kong and is known as Jardine-Davies, Inc.

Thus today the two oldest of the Big Five are owned by corporate concentrations of power far larger than themselves. Davies, however, took a new lease on life after its acquisition. A three-year $26 million improvement program to modernize and up-grade its Hamakua plantations was launched. On the merchandising side, Davies itself acquired two companies: E.H. Campbell Tire, Honolulu's Goodyear Tire distributor, and Atlas Electric, electrical equipment distributor.

Formerly organized into merchandise, insurance and shipping departments, Davies set up subsidiaries for all its activities. President Milton Pickup was transferred to Jardine's Hong Kong headquarters. Daily management is exercised by three group vice presidents in Honolulu. One overseas agricultural operations and industrial relations; another is in charge of merchandising and the third handles finances, including supervision of the insurance agency subsidiary.

Merchandise lines are primarily heavy equipment: Pacific Machinery's Caterpillar tractors, Hawaiian Fluid Power's hydraulic lines, Stubenberg Company's manufacturing of field equipment, Davies Building Materials, and Hilo Iron Works (owned jointly with Brewer). Inter-Island Equipment handles lighter lines such as lawn mowers and air compressors while Davies Brokerage still handles some grocery lines. Davies Marine Agencies operates the former steamship department. Davies Insurance Agencies continues to act for underwriters Janion represented. Davies and Brewer are the only Big Five firms still in the insurance business; Brewer as an underwriter and Davies as an agent.

Immediately after its acquisition, Davies plantations benefited from the surge in sugar prices of 1974, helping to offset the impact of world recession on Jardine's fortunes. Yet, the Hong Kong-based conglomerate reinvested its Davies profits in the Big Five company by up-grading plantation mills and equipment. Historic affinity appears to support a happy marriage for the two British houses.

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AMFAC, INC.

Amfac, Inc., largest and most diversified of the Big Five, had advantages in its formative years: management continuity and overseas capital connections. Also, in contrast with Brewer and in similarity with Davies, the company always has balanced sugar interests with a range of mercantile pursuits.

Its founder, a Captain Heinrich Hackfeld, was a German trader in the tradition of the Hanseatic League plying the China coast. On a call at Honolulu he sized up its commercial prospects for European goods and decided to return as a settler. He would provision whalers and ship sperm oil and whalebone to Germany.

Accompanied by a young bride, nephew and 16-year-old brother-in-law, Hackfeld left Hamburg with the brig *Wilhelmine* on November 28, 1848, on a voyage around the Horn and across the Pacific to Tahiti. The ship arrived in Honolulu on September 26, 1849, and Hackfeld set up a store on Queen Street five days later, offering dry goods, crockery, hardware and stationery. The following year he opened a

Fort Street location and featured new imports from Boston. This later became the location of B. F. Ehlers & Co., a retail store started by the Captain's nephew and the forerunner of The Liberty House chain.

Three years later Hackfeld admitted his young brother-in-law, J. Charles Pflueger, not yet 20, into the firm as a partner. At this point the business became "H. Hackfeld & Co., General Commission Agents and Ship Chandlers."

The German Chandler and the American Doctor-Farmer

The paint was hardly dry on this shingle in 1853 when the partnership acquired its first plantation account as agent and shipper. Dr. Robert W. Wood, head of the American Hospital for Seamen in the port, had acquired Koloa sugar plantation on Kauai, the first organized sugar farming venture in the islands. Its original promoters, Ladd & Co., had failed nine years before and Wood, as a major creditor, had taken over. The doctor also acquired an interest in an East Maui plantation where the Boston mechanic sent to Hawaii by Brewer's Peirce set up his first centrifugal machine to separate sugar from molasses. The mechanic, David M. Weston, went on to establish a repair shop and flour mill under the name of Honolulu Iron Works Co. In 1851 the good doctor's plantations had been hard pressed and the Captain had come to his aid with German financial contacts. Wood reciprocated by naming him shipper and agent for the plantations and obtaining East Coast connections for his business. Wood also secured the firm's appointment as his successor as commercial agent in Hawaii for Czar Alexander II's government. Hackfeld's early success has been credited to this lucrative appointment. Wood even built new quarters for the firm, a two-story structure on Queen Street. (The Captain's brother, John, a rival for many years, moved into a previous location.)

By 1855 the House of Hackfeld operated two stores, served as agent for two sugar plantations, and represented the governments of Russia, Sweden and Norway. (Later the firm or its principals also represented Austro-Hungary, Belgium and Germany.) Hackfeld left on a two-year business trip to Germany and Pflueger took charge in his absence.

Back in Germany the Captain recruited additional management talent. J. Bollman, an accountant, was sent out to assist Pflueger and quickly recognized the profits to be gained from sugar expansion. Under his urging, Hackfeld began engaging in sugar on a large scale. Between 1855 and 1862 the value of the company's assets climbed from $94,000 to $4,000,000. The mercantile side of the business grew too. Its shipping interest, manufacturing and jobbing lines developed a web of commercial relationships with Europe, England and the eastern seaboard of the United States. German whalers were still sailing the Pacific in the '50's and Hackfeld bought and outfitted several whalers, brought in Pacific Coast lumber beginning in 1855 and engaged in the trans-shipment trade of the day. Bollman was the first of many recruits from the fatherland; Germany continued to supply clerk-trainees for partnership and officer positions until World War I.

In 1871 Hackfeld and Pflueger both went back to Europe to launch a Bremen affiliate. There they placed into service a line of packets sailing under the Hawaiian flag between Bremen and Honolulu with wheat, oil, wool and hides for the islands and sugar shipments on the back-haul. In 1875 the company also became agent for Pacific Mail Steamship Lines, which was then inaugurating service to Australia.

This appointment was followed by others: Occidental & Oriental Steamship Co. in 1889, Tokyo Kisen Kaisha (Oriental Steamship Co.) in 1898, and American-Hawaiian Steamship Co. in 1902 as well as packet lines in Liverpool and Hawaii.

Hackfeld Survives Stormy Weather in Early 1870's

That winter when Hackfeld and Pflueger returned to Bremen, Hawaii lost its entire whaling fleet in ice storms off the Arctic Ocean, including Hackfeld's vessels. At the same time, the community was feeling the pinch of the U.S. sugar tariff; the Franco-Prussian war was curtailing European trade; and the Panic of '73 would soon crimp New England trade. Hackfeld no longer held the Russian agency and the economic outlook was bleak.

Reciprocity in 1876 changed the picture. Sugar expanded and Bremen bankers supplied the necessary capital for Hawaii's 18 plantations in 1879. A year later six of them were under Hackfeld.

European financial ties gave Hackfeld a sense of independence other factors did not enjoy at the time. The legendary San Francisco sugar refiner Claus Spreckels started an East Maui plantation in 1878. His first recorded run-in with Big Five interests was a clash over water rights between Spreckels's plantation and Wood's, which led to a stormy scene in Pflueger's office.

When the Captain decided to retire from active participation in the firm in 1881, he asked a fellow countryman, Paul Isenberg, to join the house as managing partner. Isenberg, upon arriving in the islands as a big, strapping youth, found employment on Kauai with Lihue Plantation Co. There he persuaded the manager to undertake an irrigation ditch similar to the canals of his native Germany. After a five-year effort, the ditch was completed and irrigation did indeed boost yields as Isenberg had predicted. In 1862 he was appointed manager. Later Dr. Wood sold a half-interest in the more successful Koloa plantation to Isenberg, who became manager there in 1871. Isenberg's two brothers joined him at Koloa and, with George N. Wilcox, the three Germans built the Kekaha sugar mill in 1881.

Paul Isenberg Takes Hackfeld's Helm

The giant Isenberg was an excellent choice to head the house. Besides being an experienced plantation operator (Hackfeld had 14 plantations by then), he had solid political connections with the Royal Government. Lunalilo had commissioned him a Noble of the Realm, an appointment that allowed him to cast his vote between Queen Dowager Emma and High Chief David Kalakaua in 1874. (Partisans of the Queen, who lost the vote, stormed the Court House, which was sold to Hackfeld the same year.) He held the Order of Kamehameha and represented Kauai in the Legislature. At Hackfeld his scope as a plantation organizer expanded.

Years later when Queen Liliuokalani was overthrown, Isenberg was away on a trip to Germany. Another Hackfeld partner, H. F. Glade, Isenberg's brother-in-law, played a prominent role in the coup. On Isenberg's return the two men had a falling out and Glade was forced to resign. Isenberg raised $200,000 for Glade's one-third interest in the partnership. While Isenberg, a royalist, had forced another partner to resign in 1886 for "political partisanship and bias inimical to the interests of the firm," his dispute with Glade was attributed to a matter of business judgment. Glade, concerned over mounting start-up costs at Pepeekeo Sugar Co. on Hawaii, had offered to sell the plantation to Theo. H. Davies. Isenberg honored the offer but rued the decision.

The year Isenberg took command John F. Hackfeld, a nephew of the founder, joined the firm and also acquired a half interest in B. F. Ehlers & Co. retail store. In 1886 the Captain sold his interest in the firm he had started 37 years before. He died the following year.

Hackfeld Eyes Kukae Mining

In its fortieth anniversary year, 1889, the company joined forces with Kauai's George N. Wilcox to gain a lease from the government on tiny Laysen island 800 miles northwest of Honolulu. Their scheme was to mine the island's rich deposits of bird dropping-fertilizer, guano, for shipment and processing in Honolulu. This led in 1893 to the organization of Pacific Guano & Fertilizer Company, later to acquire Brewer's Hawaiian Fertilizer and become Pacific Chemical & Fertilizer Company. A processing plant was built in Kalihi. In the 1950's an auto dealer-promoter acquired control of the company for its real estate and spun off its operations. Brewer bought out its Hilo plant and got back in the fertilizer business, first under the name Ultramar Chemical Company and later as Brewer Chemical Company.

The 1890's were years of growth for the company both in sugar and merchandising. Hackfeld & Company and Benjamin F. Dillingham became partners in the organization and development of Oahu Sugar Company at Waipahu. Earlier Isenberg had been a backer of B. F.'s railroad. Isenberg started an experimental farm in Kona to test a wide variety of tropical crops, including vanilla bean and coffee. Both had promise but coffee took hold. By 1896 half of the Republic's coffee exports – 7,000 bags – bore the Hackfeld label. Isenberg set up processing plants at Hilo and Kailua-Kona to take the delivery from the independent growers he financed. A roasting and packing plant was built in Honolulu, which later produced Mayflower brand Kona coffee. This brand name was acquired by American Factors with the purchase of Henry May & Company, grocer, after World War I. Neighbor Island branches were set up for the company's expanding wholesale business and a general insurance agency department was formed. The plantations were adopting the corporate life-style and Hackfeld followed suit in the last week of 1897. John F. Hackfeld turned in his Ehlers interest for stock and the company thus acquired the store. Initially capitalized at $1 million, the corporation expanded to $2 million capitalization three months later and increased to $3 million in 1902.

In celebration of its fiftieth year in 1899 Isenberg and John F. Hackfeld donated $50,000 to build a German Lutheran Church in Honolulu and presented 13 local charities with $1,000 each. They also announced plans for a new corporate headquarters at Fort and Queen Streets, an imposing block-long, three-story structure completed in 1902 and torn down to make way for Amfac's present office complex in 1969.

By 1902 Hackfeld was firmly established as the territory's leading wholesaler and retailer, steamship and insurance agent, and a factor for one fifth (70,000 tons) of all the sugar shipped from the islands for overseas markets. The company had two Big Island branches, one on Maui, and three on Kauai. Its staff included both Japanese and Chinese translators. The following year Isenberg died and John Hackfeld assumed the corporate presidency.

When an assassin's bullet at Sarajevo triggered war throughout Europe in the summer of 1914, the effects were not long in reaching Hawaii's shores. German investments in the islands became even more concentrated with Hackfeld & Company. Beginning in 1915 German stockholders in Koloa plantation began selling their stock in order to buy war bonds; Hackfeld acquired their shares, tripling its holdings in three years.

Well before America's entry into the war John Hackfeld had returned to Germany ostensibly for his wife's health. Three vice presidents – two in Honolulu and one in San Francisco – carried on in his absence.

Hackfeld's George Rodiek and the "India Conspiracy"

The senior of these was George F. Rodiek, a naturalized citizen and one-time Bremen tobacco clerk. He had joined the firm in 1891, opened the Hilo branch six years later, and in 1900 had become a director. By 1916 he was a community leader: president of the Hawaiian Sugar Planters' Association, an organizer of the Army-Navy YMCA, Shriner, club man and father of six. In the following year he made news as German consul. Several German merchant ships represented by Hackfeld were seized by local authorities when the crews, fearing formal declaration of war, attempted to wreck engineering and navigation equipment. Rodiek fired off a protest by cable to the Secretary of State, who ordered the Territorial Governor to release the vessels. But Hackfeld was still fighting the Board of Harbor Commissioners for control of the ships when the United States did declare war.

Several months later Rodiek and his secretary were indicted by a San Francisco federal grand jury in connection with the "India conspiracy," a plot to breed civil war there in order to distract British military efforts from Europe. Earlier the firm had been placed on Great Britain's "blacklist," and with the indictment, the Federal government denied the company access to cable and radio service.

The plot involved a pre-war shipment of arms loaded at San Diego on a schooner for transfer off the Mexican coast to the *S.S. Maverick* bound for India. The two vessels missed each other and the *Maverick* was ordered to Hilo for additional instructions. There she was met by Rodiek's secretary and several German refugee mariners. Rodiek, arrested in San Francisco while traveling, pleaded not guilty but later switched his plea to guilty of a single Neutrality Act violation. He said he regarded the transaction as a business one and maintained his loyalty to his adopted country. Unfortunately before he could be sentenced, however, a German naval officer's dairy was seized which gave world-wide dimensions to the plot and placed the Honolulu consulate in an incriminating light. He was found guilty, fined $10,000, and never returned to Honolulu.

Meantime corporate management fell to J.F. Carl Hagens, second in line to Rodiek and a Hackfeld relative, and J. F. Humberg, San Francisco manager. The two attempted to work out a plan whereby the Hackfeld stock would be sold to a hui of Hawaiian businessmen headed by Walter F. Dillingham, B. F.'s oldest son. The transaction took place and a reorganization was effected in January, 1918.

Trent's Last-Minute Case

However, at this point the Alien Property Custodian's Hawaii representative stepped in to order the stock sale canceled and the reorganization "unscrambled." He was Richard H. Trent of Trent Trust Company, writer of a Honolulu *Advertiser* column under the name "Dixie Doolittle." As a journalist Trent stirred up anti-German sentiment, provoked Hagens's resignation from Hackfeld and triggered a sensational libel suit. As a federal official Trent seized the "enemy holdings" of Hackfeld & Company held by the Hackfeld and Isenberg heirs living in Germany. He then engineered a second reorganization that brought in "missionary boys" from Brewer and Castle & Cooke as officers. In this proceeding, he served as treasurer of both Hackfeld & Company and the holding company for the Hackfeld stock. Thus he presided over their liquidation and the formation of American Factors, Ltd. as survivor. Brewer, Castle & Cooke, and Alexander & Baldwin were leading stockholders and represented on the new company's board. Seats also went to Trent and Dillingham. The seized alien stock was appraised at $17.5 million. As part of the "Americanization" program the Ehlers store was renamed The Liberty House.

German investment in Koloa, Lihue and Kekaha plantations, as well as in Pacific Guano, were acquired by the corporation. By 1923 American Factors's ten plantations were turning out 30 percent of the industry's production. In the following year the Alien Property Custodian's trust agreement with Hackfeld stockholders expired and their certificates were called in and replaced by Amfac shares.

Hackfeld stockholders sued after the armistice, however, naming Brewer, Castle & Cooke and A&B, and charging fraud. They claimed Trent had sold the company's stock for $10 million less than its value. In Hawaiian courts, they were successful in maintaining the $7.5 million figure was too low. In 1925 they met defeat in a marathon San Francisco trial, however. Litigation dragged on until 1943 when the U.S. Supreme Court upheld Amfac management more than 20 years after the case began.

Diversity American-Style

Under a banker named Bottomley, the new company's balance sheet grew robust. Sugar was the primary business and several plantation mergers strengthened it. Olaa Sugar Company, started by B. F. Dillingham, was added to the agency roster. Prospects for pineapple were not overlooked; the company became agent for Kauai's Hawaiian Canneries, Ltd.

Merchandising received increasing attention in the1930's under Bottomley's successor, H. Alexander Walker, father of the current chief executive. Walker built up warehousing capacity just before World War II. He was named civilian food controller under the territory's wartime military government and soon presided over distribution of materials and supplies for the civilian market also.

American Factors emerged from the war believing that its position as the preeminent merchandiser in Hawaii was unassailable despite Sears Roebuck & Co.'s arrival on the scene. In 1946 the company published an informational brochure for mainland readership to attract more merchandising lines. The publication was entitled "Diversity, Inc." It stated: "American Factors, Ltd. is a type of institution which has no counterpart in the mainland United States. It is the product of Hawaii's economic development – cast in a mold which only the industrial condition of the islands could have formed."

The publication went on to stress the peculiarities, social as well as economic, of the Hawaiian market which required a representative of American Factors's experience and influence.

Indeed, the breadth of the company's wholesale lines was awesome. They included dry goods, drugs, paper, liquor, hardware, chemicals and lumber. Largest of all the wholesale departments was groceries. The "Diversity, Inc." brochure stated that the company "supplies virtually every retail grocer throughout the territory," many of whom purchased "the greater part of the goods they carry in stock" from the wholesaler.

In retailing The Liberty House was opening branches in Waikiki, for the tourist trade, and in Kailua, for the emerging suburban market. The company also had entered the industrial equipment and appliance fields with the acquisition in 1944 of W. A. Ramsey, the General Electric distributor for the territory.

With its position in Hawaii seemingly secure, management looked toward new worlds to conquer – and decided upon the Philippines, where Davies had gone 18 years before. A subsidiary in Manila was opened representing GE, but unlike Davies's experience the venture was unsuccessful and folded.

In its centennial year, the company house organ, *AmFacts,* observed: "We have nearly 3,000 people in our family – 1,750 employees and 2,250 stockholders. We represent seven plantations employing a total of 8,000 people. We distribute goods to over 5,400 retail stores in Hawaii. Our retail stores do the biggest business in the islands. Our Insurance Department sells as much insurance as any other company in the territory. In other words, we serve all of the people of Hawaii in one way or another."

Competition Challenges Amfac Supremacy

The first break in this tight control appeared soon thereafter. Within a few short years in the very early '50's the grocery departments of both American Factors and Davies – largest of their wholesale departments – had dwindled to minor brokerage businesses. It was primarily the result of the introduction of supermarket chain methods to Hawaii – direct volume buying – with consequently lower food prices. To compete with Foodland and other supermarket chains, grocers could not afford to buy from big wholesalers: Amfac, Davies and Alexander & Baldwin. They organized instead purchasing cooperatives, Certified and IGA.

By the mid-1950's strong undercurrents of change were evident. Mainland retailers – Long's, Woolworth, Hartfield and Leeds – were coming in and in certain cases, introducing a type of price competition entirely novel to the islands.

While experiencing competition in many lines in both retailing and wholesaling, Amfac began to trip over itself in its expansion efforts into residential land development and appliance distribution. The symbiotic relationship of selling lumber and acting as insurance agent was seized upon to tie up builders with a unique "one stop service." The company would provide them with performance bonds as well as building supplies, extend credit terms amounting to interim financing, and then take over the eventual home mortgages for placement and servicing with the insurance companies it represented. Nor did the inter-relationships stop there since the house tracts provided an expanding market for Amfac the appliance distributor. In this field as GE's Hawaii representative the company was in competition with its retail store clientele.

Meantime the company had embarked on large-scale land development on Oahu and Maui. The Oahu development was a residential undertaking in association with tract builder Joe Pao and the Bishop Estate, from whom Amfac leased the land involved at Halawa. It resulted in an eventual 3,000 single family houses, although Amfac's returns were modest. The Maui project was a giant one even for Amfac: the Kaanapali resort development. It absorbed a great deal of capital and was slow to generate any real return to the corporation as the property owner bearing the greatest risk.

Amfac Looks Beyond Hawaii's Shores to New Horizons

Next Amfac, having organized a land development subsidiary, embarked on a California real estate venture in the Napa Valley known as Silverado. While it too was slow to generate a return, it was the company's first experience in offering food and lodging as an operator rather than as a landlord.

In the early '60's Amfac followed Brewer's lead into exporting farming know-how to the world at large. Two large projects resulted from the enterprise, one in Uruguay and the other in Western Australia. The South American sugar venture was an operating success and a financial failure. While field and factory goals were exceeded, run-away inflation within the country doomed the operation. The Australian project was a huge undertaking in diversified agricultural development in the Esperance district. Again returns were slow in materializing, although they began to be posted in the '70's, a decade later. The overseas consulting subsidiary was sold to employees.

Board Room Dissension Tests Management's Metal

Despite these post-war efforts at diversification and expansion beyond Hawaii's shores, there was dissension in Amfac's board room. It began with Howard Butcher, the Philadelphia stockbroker who had bought heavily into both Brewer and Amfac stock. As a director, he urged management to merge their plantations into the corporation for the benefit to Amfac's stock, rely more on debt in order to practice leverage financing, and go out for Big Board stock listing. He even proposed a Brewer-Amfac merger to cut overhead.

Unsuccessful in his persuasion, he sold out but was followed by other aggressive mainland investors anxious for quick action: Los Angeles insurance man J. C. Earle, transit line-real estate speculator Harry Weinberg, and Southern California electronics maker Leslie Hoffman. Even an island missionary descendent, Harold Rice, voiced the need for more imaginative management.

Nevertheless, change was taking hold, first in coping with internal growing pains and subsequently in recognition of the financial opportunities Butcher foresaw. Wholesale operations were completely revamped in the mid-'60's under H. Alexander Walker's son, H. A. Jr. As a youth he had gained some experience in the merchandise side of the business but had risen, through staff assignments, within the plantation division. Assigned to straighten out control problems in wholesale distribution (2,500 TV sets valued at $500,000 had disappeared from company warehouses), he undertook radical surgery. He spun off retail appliances and building materials as well as liquor, tobacco, coffee, and drygood lines. The renovated mercantile operation relies heavily on drop shipments. It no longer ties up heavy amounts of capital in inventory characteristic of the days when the "Diversity, Inc." brochure was issued. (Eventually building materials returned to the corporate fold, however, when the buyer went broke.) Mortgage servicing was set up as a separate subsidiary, which branched into equipment leasing and appliance paper. The Liberty House retail stores expanded. Yet, management in both these fields felt constrained by head office financial policies.

Corporate Recasting Achieved

A corporate transformation was gaining traction, nonetheless. The plantations became subsidiaries. The insurance business was sold. The company did obtain listing on the New York Stock Exchange (adopting its cable name "Amfac" as its legal corporate name), and mainland financial and real estate talent was recruited.

In 1967 Walker assumed the presidency and set about organizing a new executive team. Gilbert Cox, the company's attorney, and financial officer E. Laurence Gay, a one-time Wall Street lawyer and Litton Industries executive, set a new course for the company. Spurred by a rising stock market, the trio forged a shrewdly leveraged conglomerate in a few short years. Retail management was given its head and expanded to the western states, acquiring the Joseph Magnin and Rhodes retail department store chains. The leasing subsidiary absorbed several Pacific Coast mortgage companies and branched into uninsured, high-interest thrift-savings and loan shops both in Hawaii and Guam. Within a few years this departure had made Amfac Hawaii's largest industrial loan company.

The recast merchandising operation began acquiring a network of small family distributorships in electrical and pharmaceutical lines throughout the mainland from Alaska to Kansas and Louisiana. The historic Fred Harvey organization of restaurants, national park lodges and food service concessions was acquired in 1968. In the following year Amfac grew closer to home by buying out Gus Guslander's Island Holidays hotel chain, whose own leveraged growth was legendary.

In the early '70's, still hungry for acquisitions, the company acquired a number of western food processors: a frozen potato, fruit and vegetable outfit operating throughout the northwest, an Alaskan seafood processor and a Colorado cattle feeding and beef processor. The later proved a sour investment and was written off, however.

Conglomerate Control Methods Practiced

Despite the speed and diversity of the corporate build-up (which saw Amfac surpass Castle & Cooke in assets to become the largest of the Big Five), management has had an enviable record among conglomerates for maintaining control over operations. Key to their success is a computerized accounting and management information network and an organizational framework for operating management to prove itself. Oversight is divided into six "groups:" retailing, hospitality (Fred Harvey, Island Holidays and ground transportation in Hawaii), agriculture (Hawaiian sugar plantations and a papaya venture), food, distribution, and asset management (mortgage banking, industrial loans and property development). Today real estate development is divided into two operations, Hawaii and California-Nevada.

The diversification drive – originally spurred by low returns in island sugar – has given Amfac geographic as well as economic diversity. Today two-thirds of its sales and employment are outside of Hawaii. But such are the fortunes of commerce that spiraling sugar prices saw Hawaiian sugar plantations contribute 80 percent of the corporate income in 1974, up from 20 percent in 1973, eight percent in '72, and four percent in '71. On the other hand, retailing, which accounted for 32 percent of 1971 income, rang up only two percent of 1974's income. Also in '71 hospitality contributed 12 percent of the corporate kitty and asset management 27 percent; in 1974 the comparable figures were five and one percent respectively. Such market barometers as stock price and price-earnings ratios have seesawed but revenues, net income and earnings per share have climbed steadily. In 1974 assets stood at $759 million, stockholders' equity at $300 million and revenues exceeded the billion-dollar mark. Employees totaled 23,000.

As Chairman and Chief Executive, Walker continued to head a corporate troika in 1976 with Gay as Vice Chairman and Cox as President. Their success in achieving corporate growth has gained national attention in business circles. Gulf & Western Industries, the conglomerate colossus, now has a 20 percent stake in the company but denies any designs for a take-over.

While maintaining extensive administrative quarters in California, where treasury and computer operations are based, the corporate head office is still located where the company's roots lie, at Fort and Queen Streets in Honolulu. The head office site itself was sold, however, in the course of developing a 20-story twin-tower office complex known as Amfac Center. The corporation today is only a tenant, suggesting that its roots are capable of being transplanted in the pursuit of asset earnings.

Thirty years have passed since Amfac emerged from World War II as the dominant merchandiser of Hawaii. If it has failed to maintain its one-time supremacy in a tight, little territorial market, the company nevertheless has kept pace with Hawaii's own growth and has reached far beyond our shores as well. Captain Hackfeld's successors, like the German trader himself, are hardly provincial in their search for profits.

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CASTLE & COOKE, INC.

From a store started under missionary auspices on Kawaiahao Lane in 1851, Castle & Cooke became probably the most influential of the Big Five during the hay-day of their Hawaiian hegemony. Since then the firm has gone forth to a great many nations world-wide teaching American business practices in the production and sale of food.

Samuel Northrup Castle and Amos Starr Cooke were lay members of a Protestant New England missionary group that arrived in 1837, the eighth company dispatched by the American Board of Commissioners of Foreign Missions, Boston, 17 years after sending the first company aboard the *Thadeus.* Castle became business agent for the mission and Cooke a teacher. Cooke and his wife conducted the “Young Chiefs’ Boarding School” where future King Alexander Liholiho received his early education. Castle was in charge of the “mission Depository,” a combination bank and supply house for the church. In 1849 the Boston board decided the Hawaiian mission had to become self-supporting. Castle and Cooke were authorized to start a store of their own, provided they would still conduct mission business. Thus their store gained the sobriquet “Old Depository.”

To establish a separate identity from the church (for whom they acted as “Mission Agents”) the store was moved downtown in 1853. Its lines included sewing machines, farm tools, patent medicines, kerosene, blasting powder, pianos – and soon sugar machinery. For a brief time in the early years they maintained branch stores on the Neighbor Islands. Unlike the early houses, their trade was with the American colony rather than with whalers.

By 1858 the partnership had bought into its first sugar venture, a Maui plantation at Haiku. Cooke and Kamehameha III were among Haiku’s original stockholders. The firm did not become agent for Haiku until 1872, however. Later Castle & Cooke sold its Haiku stock to Samuel T. Alexander of Alexander & Baldwin. It continued to serve as agent for the plantation until the 1890’s.

Rev. Bond of Kohala: Sugar As A Christian Mission

In the early 1860’s, Rev. Elias Bond of Kohala approached Castle with the idea of starting a Big Island sugar plantation. “Father” Bond was a tireless preacher, doctor and teacher for his flock. He had hit upon sugar as a means of providing employment for the region. (More than a century later government officialdom was still seeking such a means.) With no jobs to hold them up in the country, the good missionary had no way to keep Kohala youth home once they had seen gay Lahaina or Honolulu.

“Finally,” he recalled later to his children, “it came to me as clear as sunshine that it must be sugar cane. My mind had become fixed on the prospective Sugar Plantation as the only possible means of retaining our people in Kohala nei.” (Hansen, *Kohala Sugar Company* 1963.)

Bond was not the first man to consider sugar for Kohala, however. At least twenty years earlier when Bond first arrived there an enterprising Chinese planter named Aiko had built a primitive mill for grinding cane.

In 1862 Castle toured the region and decided Bond’s ideas had merit. A corporation was organized the following year to acquire 3,200 acres (at $2 an acre); $40,000 in capital stock was raised. Castle ordered sugar mill equipment from Glasgow, Scotland, and the first cane was ground in 1865. The “missionary plantation” didn’t turn a profit until the year 1872; no dividend was paid until three years later.

In the years that followed other plantations sprang up in the area: Niuli’i, Union Mill and Hawi (Hind family undertakings) and Halawa Mill. Consolidations in the 1930’s brought all of these ventures into Kohala Sugar by 1937 when the plantation had 13,000 acres under cultivation. By its centennial, the plantation was producing 45,000 tons annually. Ten years later, however, Caste & Cooke announced plans to phase out its operations, citing a long record of unprofitable years.

The agency's missionary ties doubtless had a bearing on two Maui sugar growers from missionary families, Samuel T. Alexander and Henry P. Baldwin, when they started a plantation at Paia in 1870, and appointed Castle & Cooke their agent.

Samuel Castle's Sugar "Gospel"

The senior partner of the agency was a man of fiery zeal given to public comment in evangelic tones on matters commercial. He championed a quota system in 1865 proposed to Hawaiian planters by a San Francisco refiner. It called for grinding at least half of their crop at low grades under set-price contracts. This would ease competition for the refiner, who would in return bring in less sugar from elsewhere while offering a preferential price to boot. The growers ignored both Castle and the refiner, however, believing that rising American demand would absorb increasing Hawaiian production. They felt returns from higher grades would be more profitable even if the average price fell slightly. But when the planters refused these contracts, the refiner placed heavy orders with Manila. The Philippine sugar was processed into high grades for competition with Hawaii's. The market then became flooded, prices dropped and planters, agents, and refiners all suffered. Two years later, following the demise of Walker, Allen & Co., Hawaii's largest sugar agency, Castle had some converts.

Still there were those who couldn't see the wisdom of signing set-price contracts when the market appeared to be rising. Also, they didn't want to be tied to one refiner. But Castle convinced growers for more than half the crop to sign. Most of these were planters on leased land and they were in the majority. The few who owned their lands had mortgage payments to meet and needed the extra return of the high grades. Most of the planters on contract did well but this only encouraged them to believe they could do better independently.

By 1868 the contract system had broken down and price levels were left to the uncertainty of supply and demand for the next several years, spurring efforts for a reciprocity treaty. Reciprocity in 1876 did not lead to easy street, however; the firm almost went under in the panic year of 1879.

Shipping And Insurance Were Early Endeavors

Meantime the partnership's range of interests had expanded. A bookkeeper, Joseph Ballard Atherton, was hired in 1858 and subsequently became Cooke's son-in-law; he was taken into the firm as a partner in 1865. In 1862 the firm became agent for New England Mutual Life and subsequently became an agent for underwriters providing fire and marine insurance as well. Early in its career as a plantation agent the firm acquired inter-island sailing vessels for transporting sugar shipment and supplies. Eventually it became representative for San Francisco & Honolulu Packet Line, in which it acquired a large interest. When this line underwent reorganization Castle & Cooke took a major stock position in its success, Planters' Line, which expanded the fleet.

The partners decided to launch an Oahu plantation at Ewa in 1889. An artesian well had been drilled successfully there while Dillingham was moving ahead on his railroad. The first crop was planted the following year. But the undertaking proved slow and costly. Pressed financially, the firm sold its accounts receivable from the A&B plantation to Spreckels and turned over mainland representation for the grower to the refiner. This prompted the Maui growers to go into the agency business themselves.

Castle believed that a man's wealth should be pledged fully to his business. Within months of his death in 1894, however, the surviving partners incorporated with Atherton as president. Capitalization was $600,000. The company had been hard hit two years earlier when the U. S. removed its tariff on all foreign sugar. Charles M. Cooke, son of the co-founder and cashier since 1868, came to the rescue of the firm, pledging his personal property. (Cooke went on to play a key role in Brewer's affairs.)

In 1898 the corporation participated in organizing Waialua Agricultural Company. While Castle & Cooke invested in all their plantations, beginning with Haiku, the firm never acquired more than a minority position in any of its plantations until 1916 when it achieved a half interest in Kohala.

At the time Waialua was being set up, Atherton decided to sell the company's merchandise business and found a buyer in Benjamin F. Dillingham, the hardware merchant and railroad builder.

Tenney's Tenure Begins

When Atherton died in 1903 his position was assumed by Castle's son, George P. Cooke. But active direction of the firm was taken up by Edward Davies Tenney, first vice president and general manager. Tenney, a nephew of the founding Castle, had left Plainfield, New York, as a young man to come to Hawaii in 1877. He worked as a luna at a Hamakua plantation near Hilo for three years. A bout of rheumatism brought him to Honolulu in 1880 where Atherton, not his uncle, hired him as a utility man for the store. He was admitted to the partnership in 1889 and served as secretary upon incorporation.

One morning in 1907 Captain William Matson called upon General Manager Tenney and proposed that Castle & Cooke become Honolulu agent for the line he had started six years before. Because of their ties with Planters' Line, Tenney turned down the offer and Matson walked out in a huff. In the only known occasion when Castle overruled a decision of his manager, Tenney was advised to seek out the mariner before the day was out and accept, lest Matson find another connection. Tenney complied with his instructions, found Matson on a wharf and the deal was struck with a handshake. Castle & Cooke exchanged its majority holdings in Planters' Line for Matson stock plus cash when Matson acquired the line and its ten vessels the following year.

In 1916 Tenney became Castle & Cooke president and the following year, upon the Captain's death, he assumed the presidency of Matson Line as well. He served in both posts for years, stepping up to board chairman at Castle & Cooke in 1928 but continuing as president of the line until his death in 1934.

Waikiki's Tourist Potential Recognized

Tenney, in his Matson role, recognized the prospects for resort expansion at Waikiki at the time the Ala Wai canal was under way. He joined forces with Conrad von Hamm, who headed the company that owned the Moana Hotel, in building the Royal Hawaiian. Matson eventually acquired both hotels.

In 1928 J. B. Atherton's son, Frank, succeeded Tenney as the agency's president. In the same year Castle & Cooke organized Home Insurance Company (now First Insurance), turning over its own insurance department for a 40 percent investment. This was sold in the early '60's to a mainland underwriter.

Frank C. Atherton was capable of shouldering more than one full-time job as well, serving as head of the Star-Bulletin. During his management Castle & Cooke achieved effective control over the affairs of Hawaiian Pineapple Company. In 1922 founder James D. Dole had sold a one-third interest in Hawaiian Pine to Waialua Agricultural Company for additional acreage and sufficient cash to acquire the island of Lanai. In 1932 – a year when the Hawaiian pineapple industry was in trouble with an over-supply of inventory and a national depression – Dole faced a financial bind. Castle & Cooke was able to take control through its own holdings plus those of Waialua. Atherton installed his nephew, Atherton Richards, as president, forcing Dole up to board chairman. Richards, a brilliant but impulsive executive, broke with his uncle over company affairs and took one page advertisement in the daily newspapers to air his differences with his directors. After several such occurrences Richards was replaced. By 1936, however, Hawaiian Pineapple was on solid financial ground again.

The Big Five Apices: A Castle & Cooke '30's Board Meeting

The concentration of Big Five financial and family power was probably best captured by a Castle & Cooke board meeting in the '30's. Atherton was the dominant personality at such a meeting, a man whose civic and commercial affiliations ranged throughout the community.

If Atherton represented family influence at its peak, his successor, Alex G. Budge, suggested the wave of the future toward mainland-imported business management. Budge, a Stanford-trained engineer, had come to the islands in 1916 as a boiler salesman calling on plantations. He had been hired by Tenney in 1920 and succeeded Atherton as president in 1935.

In the years prior to World War II Castle & Cooke pushed for the Territorial Government to invest in up-grading its Honolulu waterfront piers. OR&L viewed this as unnecessary government competition with their own commercial piers. The government up-grading didn't come until the '50's, however. In the meantime OR&L had improved its own facilities for Matson's exclusive use after the war.

At the end of World War II the corporation began its transition from an investment holding company and service agency for Hawaiian sugar and shipping. In 1947 it held direct majority interest in Kohala and two operating subsidiaries, Castle & Cooke Terminals and Hawaiian Equipment. The former was stevedore for Matson in Honolulu and the later a machinery supplier to plantations. The company's first post-war diversification move was acquisition of Hawaiian Tuna Packers.

First Mainland Venture Was Happenstancial

The local fish cannery's label wasn't known beyond Hawaii and its pack was small. In 1956 Castle & Cooke sold out to Columbia River Packers, an Oregon company controlled by Transamerica Corporation. In return, the Hawaiian corporation got a 12 percent stake in the mainland packer. Transamerica, faced with anti-trust battles, began unloading Columbia stock. By 1959 Castle & Cooke had controlling interest and in 1961 Columbia was merged into the company. Now known as Bumble Bee Seafoods, it has grown to become one of the leading canned seafood companies in the country.

Castle & Cooke was instrumental in having Waialua Agricultural spin off its non-sugar real estate and stock holdings into a separate company, Helemano, in 1948. Operating the new holding company, Castle & Cooke formed a joint venture with Helemano to acquire the 6,500-acre Blackhawk Ranch in California in 1956. Two years later Helemano was merged into Castle & Cooke, establishing the company as a land owner and developer in its own right.

In 1961 the corporation set up Oceanic Properties as its land management arm. Its first venture was Mililani Town, Central Oahu's planned community development on former agricultural land. Oceanic also had a stake in Honolulu's redevelopment project, Queen Emma Gardens, and developed the downtown Financial Plaza complex.

On the mainland it sold Blackhawk in 1964 and used the proceedings to acquire its 5,200-acre Sea Ranch development in northern California. Oceanic also has engaged in real estate development in southern California, including a shopping center and medical building. In recent years it acquired a Los Angeles home builder, Barclay Hollander, which pioneered residential condominiums in the southern California market.

During Budge's 24-year regime, he had explored new business opportunities – macadamia nuts among others – and brought in new blood from the mainland. His successor was Malcolm MacNaughton, brother of Brewer's Boyd MacNaughton. Both had been Budge recruits.

MacNaughton Recasts Company Into An Aggressive Operator

MacNaughton determined to recast the company's commission-and-dividends mold into an aggressive operating organization. Hawaiian Pineapple was merged into Castle & Cooke in 1961 at the time the pineapple producer was just beginning its transplanting of the fruit to Philippine soil. Following Del Monte's lead, the Dole company had decided rising costs in Hawaii and increasing competition from foreign suppliers dictated the move. A Mindanao site was selected and plantings began in 1963. The Philippine pineapple base soon encouraged Castle & Cooke to undertake a range of Far East business investments: a Bangkok pipe manufacturer, a Malayasian ready-mix concrete company, a Manila glass works, Japanese food and pharmaceutical marketing joint ventures, and a South Korean food processor. For a time in the 1960's Castle & Cooke also engaged in overseas agricultural consulting.

In the early '60's Castle & Cooke's ties with Matson began to fray. The line had been badly strapped funding its containerization conversion in the late '50's. To raise cash the Waikiki hotels had been sold to the Sheraton chain in 1958. Joseph Sevier, Matson's president who had come to the line from Castle & Cooke, became increasingly at odds with his Honolulu agent. He felt the terminal subsidiary's charges were too high and yanked the business away in favor of the only other stevedoring outfit in the port in 1963. In the following year anti-trust action was taken against the "Big Four's" 80 percent control of Matson. (All but Davies were Matson stockholders.) Castle & Cooke found itself repeatedly outvoted in Matson affairs by Alexander & Baldwin. A&B's C.C. Cadagan held the better cards since he was able to vote the 20 percent interest of the Matson and Roth families together with A&B's 30 percent stake in the line. Castle & Cooke, together with Brewer and Amfac, sold out their Matson stock to A&B.

With the proceeds – plus their share in the liquidation of Honolulu Oil – Castle & Cooke in 1964 was able to purchase a 52 percent interest in an importer of Latin American bananas, Standard Fruit & Steamship Company of New Orleans. A family-controlled enterprise, Standard had begun experimental plantings of pineapple in Central America. Castle & Cooke, with Dole's expertise to assist in this pursuit, coveted Standard's strong sales organization.

The Dole Label Goes Global

The marriage proved a happy one. Within five years Castle & Cooke had acquired 95 percent of Standard, which was able to expand its banana business into the lucrative Japanese market by starting a plantation near Dole's Philippine farms. MacNaughton's successor, D. J. Kirchhoff, came from Standard's management. The Dole label has gone on Standard's bananas (and Standard's pineapples). In the mid-'70's Dole is the largest selling banana brand in the United States (40 percent of the market) and Japan. It has a substantial share of the European market as well.

The Dole label, which went onto California and Oregon grown fruits and vegetables in the '50's, now is applied to mushrooms as well as pineapples and bananas. In 1973 Castle & Cooke acquired the Shady Oak mushroom label, the largest producer in the west. The company also owns a Brazilian mushroom firm.

On the other hand, Castle & Cook has sold its macadamia business, the Royal Hawaiian label. Castle & Cooke also has retreated in sugar, turning over its Ewa Plantation lands to Amfac's Oahu Sugar Company and phasing out Kohala's operations. Today Waialua is the company's only sugar plantation.

Historically the corporation achieved a full cycle in 1966 when it acquired Ames Mercantile Company, a California wholesaler of drug sundries. Now known as Castle & Cooke Merchandising Corporation of Brisbane, California, it operates a West Coast chain of 24 junior self-service department stores under the name Value Giant. It also operates a wide range of concession merchandising departments in other self-service stores. Another merchandising venture is Arneson Products of Corte Madera, California, manufacturers of "Pool Sweep," the world's largest selling swimming pool cleaning device.

Today Castle & Cooke categorizes its activities into three groups: foods, its primary activity; real estate development, and merchandising-and-manufacturing. While corporate headquarters are still maintained in Honolulu's Financial Plaza, much of the administrative direction originates from San Francisco. Under Castle & Cooke's aegis, Jim Dole's label now is applied to pineapple grown in Latin America, the Philippines and even Thailand as well as Hawaii. Bumble Bee's operations range upward to Alaska and Standard's downward through Central and South America. The one-time missionary store is in food processing in Korea and food marketing throughout Japan and Europe.

For a time in the '60's the company ranked as the biggest of the Big Five. Amfac has outpaced it since. But there is a leanness to its executive structure, a cleanness to its activity groupings, and a range to its geographic operations that exudes strength for the future – with little bearing to its past. From "Old

Depository" to "Pool Sweep" represents a breadth of change in corporate lifestyle that can only be termed mind-boggling.

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ALEXANDER & BALDWIN, INC.

The partners of the Big Five's youngest member did not fit the pattern of their predecessors. Neither were village trader-shopkeepers in Honolulu; rather they were both "dirt farmers" from Maui.

As such, they reversed the historic process by entering the agency business as an extension of their plantation pursuits. Furthermore, they came to Honolulu after first establishing their business in San Francisco. One major motivation was to free themselves from commercial ties with the legendary sugar baron, Claus Spreckels. Another was to provide careers for a son and son-in-law.

Samuel T. Alexander and Henry P. Baldwin were both sons of missionaries and grew up at Lahaina, Maui. Alexander began his sugar career on Maui as manager of a plantation at Waihee, where he hired Baldwin as his assistant. The two men started their own farm in 1870 at Paia as partners in "Alexander & Baldwin Plantation." Henry also married Sam's sister the same year. Robert Hind agreed to mill their crop. A year later Alexander accepted the managership of Haiku plantation while Baldwin remained to oversee their Paia plantation.

In 1876 Alexander persuaded his stockholders to undertake construction of a ditch and irrigation tunnel to bring water from the rainy side of Haleakala to their East Maui fields. Haiku joined forces with A&B plantation to finance the project. In the same year, Henry Baldwin lost his right arm in a milling accident. This set the state for one of the best known "sugar sagas" in Hawaiian history. The Hawaiian government gave the ditch developers a lease to allow the ditch to originate from a source on government land and traverse government land. There was a provision in the lease that the ditch had to be completed within two years, however, or all construction would revert to the government. In July of 1878, with three months left to go, Sam Alexander left on a trip to Europe leaving Henry Baldwin in charge. Baldwin learned that the day before Alexander left, Claus Spreckels had received a lease from Kalakaua permitting him to build a second ditch and to take over the Hamakua ditch also if the developers failed to meet the two-year deadline. Before the ditch could be completed a siphon pipe had to be set at Maliko gorge but construction workers refused to go down the side of its precipice by rope in order to do so. Baldwin, clutching the rope with his legs and one arm, made the descent and the shamed workers followed. Thus the job was done and the ditch was brought on line just under the wire.

In 1883 Alexander moved to California for reasons of health and Baldwin assumed oversight for both plantations. In the years that followed the two plantations expanded their acreage by acquiring adjacent plantation lands. In 1889 Claus Spreckels made an offer for Paia and Haiku to merge with his own Hawaiian Commercial & Sugar Co., which he had organized in 1878. Stockholders of both plantations authorized the merger but it was never consummated, apparently in part because of the opposition from Joseph B. Atherton of Castle & Cooke, then agent for the sugar companies.

Escaping Spreckels's West Coast Choke Hold

At San Francisco Alexander also encountered Spreckels, who owned one of the two sugar refineries on the West Coast and held a one-third investment and policy control over the other. Hawaiian producers either had to sell to Spreckels or take their chances on moving their raw sugar around the Horn and get what they could for it from the Eastern sugar trust. Then, for a brief period, the Hawaiian producers had an opening. Spreckels sold his interest in the smaller refinery; Alexander, Baldwin and other islanders were among those who picked it up. Quietly plans were prepared to expand the refinery to a size capable of handling the Hawaii crop. When word reached Spreckels he promptly declared a price war. The refinery was able to weather it, however, and the Hawaiian plantations eventually prospered. Then trouble appeared from another front. The refinery's success attracted the eastern sugar trust, American Sugar Refining Company. Island planters found themselves reluctant stockholders in the trust in exchange for their control of the refinery. Next Spreckels and the trust waged war. When peace was restored Spreckels and the trust settled on joint control of Pacific Coast refining.

Castle & Cooke, agent for both Haiku and Paia, found themselves hard-pressed financially while attempting to develop Ewa Plantation. To ease their own strain the agency sold their accounts receivable owed by the two Maui plantations to Spreckels. They turned over mainland representation for the plantations to Spreckels also. He already represented a plantation on Kauai that Baldwin had started and so the two men found themselves tied to the sugar baron at all three of the plantations in which they had interest. The idea of starting an agency in San Francisco became compelling.

Such a venture would offer careers for Alexander's son, Wallace M. Alexander, and Baldwin's son-in-law, Joseph B. Cooke. With financing from Bank of California, Alexander was able to pay off the indebtedness of their plantations to Spreckels. In 1894 Alexander & Baldwin opened for business in San Francisco as agent for the two Maui plantations. Formal partnership papers including the two younger men in the firm were executed the following year. In 1897 Cooke opened a "branch agency" of the partnership in Honolulu, replacing Castle & Cooke. A fifth partner, James B. Castle, joined the firm the following year, however, so that the family crossbreeding in the new firm was complete. Castle's contribution was an option he held from a San Francisco broker for Spreckels's majority interest in Hawaiian Commercial & Sugar Co. The partners organized a syndicate to exercise it and A&B became agent for HC&S. Shortly afterward, this plantation acquired Kahului Railroad Company, which also operated the port terminal on Maui.

A&B stole a march on Spreckels and the sugar trust in 1898, managing to ship around the Horn to an independent East Coast refinery. While costly, this broke their monopoly control (which dictated delivery on their ships and a 3/8ths of a cent a pound rebate). By 1900 Hawaiian planters had better terms.

A&B Becomes A 20th Century Corporation

In 1900 the partnership was incorporated. The initial capitalization of $1.5 million reflected the amount of cash and investments the partnership had managed to accumulate in its first five years. (In 1906 the capitalization was doubled to $3 million.) Honolulu became the head office and San Francisco a branch.

The corporation grew rapidly in the range of its agency services to the plantations. Ship charters were undertaken for transporting sugar. An insurance department was set up as agent for several European and American underwriters to handle plantation coverage and eventually cultivated a broader clientele. Buying offices were opened in New York and Seattle.

In 1902 the company became agent for Kahuku Plantation Company, where James Castle had been a leading organizer. The following year Haiku and Paia merged with five other plantations to form Maui Agriculture Company and Henry Baldwin launched a pineapple plantation at Haiku. A&B was appointed agent for both. As Baldwin participated in other pineapple and cattle ranching ventures on Maui, the firm's agency roster grew. In 1909 A&B succeeded Theo. H. Davies as agent for Kauai's McBryde Sugar Company as well as Kauai Railway and Kauai Fruit & Land Company, forerunners of Kauai Pineapple Company. (Major stockholders in these companies had a falling out with Davies.)

Meantime A&B directors were plowing back profits into the stock of the companies the agency represented. By 1909 the book value of the company's portfolio was $4.3 million. Ten years later this figure had doubled while the company's earnings had nearly tripled.

An Agency Where Client-Planters Called The Shots

Dividend income balanced seesawing commissions on sugar shipments and plantation purchases. As agency services became increasingly sophisticated and costly, these commissions had to cover more ground: accounting and tax supervision, and technical counsel on factory and field. By then, however, return on investment was outpacing commission revenue. Management viewed the agency as a service organization and corporate power was vested with plantation investors and managers.

Nevertheless, the young agency was aggressive in industry affairs. In 1908 it became one of Matson Navigation Company's original stockholders and agent for the line at the ports of Kahului on Maui and Eleele on Kauai. Soon it also became Matson's agent at Seattle for the Puget Sound area and in 1928 opened a Portland, Oregon office to represent the line there.

In 1905 Henry Baldwin, who doubled as A&B president and Hawaiian Commercial & Sugar Company manager, helped refinance Sugar Factors. This was the corporate vehicle for the Big Five to build a West Coast refinery capable of handling their crop while presenting a united front against Spreckels in marketing it in the meantime. It was originally sponsored by C. Brewer, Welch & Co., and Castle & Cooke in 1900.

To escape from doing business on Spreckels's terms the Hawaiian growers had to acquire a refinery of their own and build up its production and marketing capacity to a size large enough to handle their crop. Meantime they had to move most of their own raw output to markets further east. This was the task of Sugar Factors. Baldwin held back from this enterprise at first, believing that plantations should extend the processing chain from milling through refining. (A&B was to cling to this idea, as a technological goal, for years.) Once in, however, A&B's presence was felt. Sugar Factors figures reveal that A&B plantations were producing a quarter of the industry's total production of raw sugar within ten years of the agency's incorporation.

Despite its agricultural orientation, A&B did attempt to build its mercantile business beyond a service to plantation communities. For three years – from 1919 to 1922 -- the company operated a branch in Kobe, which acquired Japanese goods for sale in the territory. A&B never achieved the influence of Amfac or Davies in island wholesale merchandising, however, and retired from the field in 1964.

On the other hand, A&B was influential in Amfac itself, taking a large block of stock in its reorganization. A&B was represented on Amfac's board until 1962 when the stock was sold.

By 1924 the company's pineapple plantations on Maui and Kauai had achieved yearly packs that dictated the establishment of a pineapple sales department at its San Francisco office.

"The Kahuku War"

The corporation's affairs made spectacular news copy on more than one occasion in its early years. In 1913 A&B and Oahu Railway & Land Company waged what was dubbed "the Kahuku war" over the interpretation of a lease agreement between OR&L and Kahuku plantation. The Dillingham line had subleased Campbell Estate land to the plantation but the boundaries involved were vague. The plantation began planting experimental pineapple on land the railway anticipated leasing to independent Japanese cane growers. Lawyers for both sides failed to reach agreement – and failed to agree even on a statement of facts for a court resolution of the dispute. OR&L engineers were ordered off the land by an A&B attorney while they were attempting to stake out boundary plots for the growers. This led to a technical charge of assault and battery against the attorney. The following month OR&L ran a night train into the disputed area with a crew to start building a house on the property. Again A&B officials ordered the crew off and this time OR&L countered with a penal summons.

At this point hostilities appeared to be getting out of hand and a truce was established. Early in 1914 a committee of six – three for each side—worked out a settlement without bloodshed.

Early Embezzlement Cases

In 1921 Wallace Alexander, now president and the only remaining member of the former partnership then living, received word that the company's New York office was issuing trade acceptances. (While serving as president, he continued to function as mainland manager based in San Francisco.) He ordered a head office investigation that revealed fraud and embezzlement losses totaling $430,000. The New York office manager, assistant manager and cashier went to prison and the office was closed.

The following year in Honolulu the junior member of the staff, Roland G. Bell, went to Charles R. Hemenway, assistant general manager, with misgivings regarding the company's most senior Honolulu employee, the cashier and corporate secretary. The cashier had given Bell instructions to alter accounts for reasons Bell considered suspicious. An audit disclosed that the officer had embezzled $732,000 over a five-year period. His family made partial restitution but the company had to write off another $500,000 within a year of the New York episode. Bell went on to become the firm's general manager in the late '40's and early '50's. He was the first executive without family ties to reach the post.

These setbacks had little effect on the upward course of the company's growth. The twenties were prosperous years for Hawaiian sugar. In 1926 A&B directors, planning on constructing an office building as corporate headquarters, decided that it should be a memorial to the two founding senior partners. As such the building should not be considered "strictly utilitarian" so half its $1.2 million cost was written off "due to the memorial character of the structure." (Dean, pgs. 126-7) Completed in 1929 the building has served as the corporation's head office ever since.

By 1930 the corporation had an accumulated surplus of $6.5 million; capitalization was raised from $7.5 million to $10 million by a transfer from this surplus. The depression dampened earnings for a few years but by 1936, company profits were again up to record levels.

A Financial Robust Farmers' Bank

So strong was the corporation financially that it was able to serve as banker to its affiliated companies. In the early '30's the agency was able to provide the financing necessary to keep its pineapple companies going in the face of rocky market conditions.

The Big Five adjusted to New Deal recovery legislation in the agricultural sphere. Hawaii's pineapple companies were able to join forces to set quotas and work off an over-supply in the 1932 pack-year as an "agricultural marketing cooperative." Industry production was regulated through an association from then on until 1943 when legal advice recommended its abandonment.

Maui Agricultural and Hawaiian Commercial & Sugar were adjacent Maui A&B plantations and the merits of merger had been considered for years. But the two plantations were managed by sons of Henry Baldwin and the idea of choosing between them deterred any push for consolidation from Honolulu. In 1946 , however, Harry Baldwin, manager of Maui Ag, died. The following year HC&S manager Frank Baldwin assumed the presidency of A&B, twin posts his father had held for a time also; merger plans were prepared. In 1948 they were put into effect and HC&S became one of the world's largest cane sugar plantations. Frank Baldwin retired as manager in favor of his son, Asa.

During this period an HC&S subsidiary, Kahului Development Company, was undertaking Hawaii's first planned community development. The project transformed the port town of Kahului into a "Dream City" post-war population center for central Maui. Its commercial core, Kahului Shopping Center, opened in 1951.

After World War II A&B began selling portions of its Hawaiian portfolio to achieve greater diversification with mainland common stocks. In 1950 the agency celebrated its fiftieth anniversary as a corporation with investments carrying a book value of $15 million and a market value considerably greater. Island businessmen began terming the Big Five member "a closed-end mutual fund."

Dynastic Overreaching Leads To Corporate Reform

In the 1950's family management at HC&S caught a case of empire fever, building up the plantation's operating and administrative staff beyond reasonable bounds. A Maui stockholder, a member of another missionary family, began making public charges of mismanagement. At this point a Baldwin in-law, J. Walter Cameron, worked out a change in operating command at the giant plantation. He thereby set the stage for professional corporate management to assert itself at the agency in Honolulu. This came in 1960 when C. C. Cadagan, a one-time Dole executive, became A&B's president, the first person without family ties to assume the post.

The "mutual fund" quip rankled Cadagan. Earlier in the year, troubled Kauai Pine had been brought into the company as an operating division. Cadagan set out to do the same thing with HC&S. He accomplished this merger in 1962, transforming A&B from a sugar factor to a sugar farmer. The HC&S subsidiaries also put the company into real estate development, merchandising, and railroad and terminal operations on Maui.

In the same year A&B went statewide as a merchandiser, acquiring Edward R. Bacon, an industrial and farm equipment dealer, and Hawaiian Lighting & Supply. While both concerns were sold in the following decade, their acquisition served notice that the corporation's executives were going to earn their keep as aggressive business managers, not as portfolio managers, under Cadagan's regime.

Funds for these moves were easily obtained from the corporate till. In 1911 the agency had purchased 4,000 shares of a mainland oil venture of Captain William Matson, founder of Matson Navigation. This company, named Honolulu Oil for the origin of its financing rather than its resources, proved to be A&B's most rewarding investment. A half-century later when Honolulu Oil sold its properties in 1961 (by then A&B's shares had multiplied to 240,000 or six percent of those outstanding), A&B realized $24 million -- $17 million after taxes. More money came in as Honolulu Oil continued to liquidate.

Anti-Trust Concerns Leads to A&B Ownership of Matson

Big Five ownership of Matson Navigation came under anti-trust scrutiny during the Johnson administration in 1964 (after the Matson family had sold its holdings). The line was virtually the sole freight link with the mainland; Hawaii control of the company was deemed crucial. Governor John A. Burns is said to have played a key role behind the scenes in achieving a settlement whereby A&B, most liquid of the Big Five, bought out the other three. Thus, Captain Matson's oil flier provided the wherewithal for Hawaii to retain control over the shipping service he had founded at the turn of the century.

Cadagan didn't believe in "anointing a Crown Prince," as he expressed it; directors picked as his successor Matson's president, Stanley Powell. A one-time pinball mechanic on Matson passenger liners, Powell had risen through accounting ranks as a bright man who could judge percentages. He continued to shed the company's agency functions; the insurance division was sold in 1967 and A&B's two other sugar plantations, Kauai's McBryde and Oahu's Kahuku, became wholly owned subsidiaries the following year. In 1969 the company, in an exchange of stock with various Maui family members, gave up its holdings in Maui Pine. Earlier in the decade, Baldwin Packers had merged with Maui Pine and the Kauai Pine division had been phased out of business. The stock exchange thus brought to an end A&B's involvement with pineapples and reduced Baldwin influence in the corporation.

Stan Powell's Great "Intermodal" Globe-Girdling Dream

Powell had an ambitious objective: to use A&B as the means to build the first intermodal transportation system from the Pacific to Europe. Matson, which became a wholly-owned subsidiary in 1969, would be the sea link. Acme Fast Freight, the nation's second largest freight forwarder, was acquired in the same year to provide the base for the land link. The scheme called for developing a sophisticated transcontinental freight-forwarding network employing trains, trucks and modern terminal facilities to link a number of mainland areas, Canada and Latin America. Matson would undertake a new Far East service. A&B headquarters would be moved back to its original home in San Francisco. But when the feasibility studies were in the corporate board ruled out the globe-girdling freight system and Powell resigned.

Under Powell's successor, Allen C. Wilcox Jr., corporate attention returned its focus to Hawaii, and specifically to Maui. In 1956 Matson had bought 1,500 acres at Wailea along the island's southwest coast. Its plans for a $12 million resort development had not materialized by the time A&B became its parent in 1969. A&B retained the British real estate development firm, Grosvenor International, to reassess the project and following their favorable report, to prepare a masterplan. However, this plan also was shelved.

A company publication explained: “Much of this came about because of changing times and ideology accompanied by a reassessment of environmental concerns by both the developers and the public. Maui County officials, who have played an important role in the development through the years, also participated in the changes. Financial and other practical considerations and a new management team were other reasons for rethinking the Wailea concept.”

Today A&B is in a joint venture with Northwestern Mutual Life Insurance Company of Milwaukee, for developing the property. An incremental project, its town center was begun in 1975.

In 1972 a former Brewer president with a financial background, Lawrence S. Pricher, became president. The year before the Kahuku Sugar subsidiary had been phased out of business, leaving HC&S and McBryde, one the largest sugar plantation in the state and the other a small one. Diversified agricultural pursuits were under study and a go ahead was given for a papaya project, Princess Orchards, on Maui. Acme Fast Freight was sold since the intermodal scheme had been dropped. Merger talks were pursued with Grove Farm, a small family sugar plantation adjoining McBryde. While these plans didn’t jell, McBryde did lease Grove Farm’s sugar lands and Koloa Mill in 1974, thereby raising its status to Kauai’s second largest plantation.

Have Cash, Will Travel

With liquid assets in excess of $100 million in 1975, A&B had the financial strength for bigger things than Hawaiian sugar farming and holding company for the state’s marine transportation utility. In that year Pricher announced: “It is not A&B’s intention to perpetuate these kinds of investments. We would rather have most of them in operating assets, and we took a number of steps in this direction in 1974. However, our strong cash flow last year made it possible to finance new investment without selling securities in a depressed market.”

These investments, all funded internally, included purchase of Seatrain freight container equipment and facilities for Matson at a cost of $14 million, a 21 percent interest in Pacific Resources, Inc. for $18 million and a 30 percent interest in a Hong Kong-based developer-processor of tropical hardwoods, Teakwood Holdings, Ltd. for $3 million. Teakwood operates in Taiwan, Singapore and Malaysia as well as Hong Kong. A&B said its investment in the firm might be hiked in the future.

Borrowing a leaf from Amfac and Brewer, A&B in 1975 looked over the northwest for a potato processor also. Its search ended with the purchase of Roger Brothers Company of Idaho Falls, a 95-year-old processor and marketer of potato products and dehydrated vegetables, for $12.7 million cash.

Taking another lead from Amfac and Brewer, A&B in 1975 announced its entry into the overseas agricultural consulting field with a new subsidiary staffed in the main by people recruited from Brewer. Heading the venture was Pricher’s successor at Brewer, who quit there taking two senior officers with him. Plantation agriculturists from Brewer followed them.

In the bicentennial year Alexander & Baldwin is a cash-rich corporation with ambitious management. Of its recent acquisitions the company says: “In all likelihood such investments and acquisitions will continue as the company seeks to employ its substantial assets more aggressively.

“While first priority for investment capital continues to be its existing Hawaiian operations, the company considers it prudent and conservative practice to develop new sources of income in other lands bordering the Pacific.”

The firm founded by two sugar growers who wanted to provide commercial careers for their college-trained younger generation, has little resemblance today to its origins. Yet, A&B still absorbs the talents of the farmer and the businessman – and still plows a profitable row.

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DILLINGHAM CORPORATION

With beginnings as a narrow-gauged railroad, Dillingham Corporation in the 1960's highballed along the acquisition route on a global scale.

By 1970 its rivaled the biggest of the Big Five and had come close to acquiring the smallest. But in that year it was almost derailed by a $7 million loss. Since then it has worked up a fresh head of steam but has throttled down its acquisitive drive.

Despite its multinational expansion, the company has not strayed far from its origins in real estate and transportation. It was founded in 1961 with the merger of two Dillingham family enterprises. One was Oahu Railway & Land Company, by then reduced to a waterfront terminal service with steady but modest earnings. The other was a dredging and construction outfit with a seesawing "bottom line."

In 1967 the State Government paid Dillingham $40.2 million for OR&L's 89 acres of waterfront docks, a cash stake which the company lost no time in putting to work in its acquisition build-up. Nevertheless, its business buying spree was fueled principally by a rising stock market, shrewd leveraging, strong cash-generating activity, and hard-charging management headed by the grandson of the railroad's founder.

Benjamin Franklin Dillingham founded his railway as an instrument for developing his real estate speculations in Leeward Oahu. In so doing, he had a vision of the island's agricultural and industrial growth that escaped most of his contemporaries.

Like his namesake, Dillingham ran away from a Massachusetts home at a young age. At 14 he left the town of West Brewster to begin a sea-faring career aboard the clipper ship *Southern Cross.* Seven years later in July of 1865 he was a mate aboard the bark *Whistler* when it put into the port of Honolulu. While ashore the young mariner was thrown from a horse and broke his leg. The bark left without him. When his leg was mended he had an opportunity to command a full-rigged ship back to New England but decided to stay instead. He found a job as a clerk in a ship's chandlery and hardware store and began a courtship with a missionary's daughter. The clerkship led to a partnership and the courtship to marriage. Eventually he became the store's sole proprietor.

Ben Is Drawn To Prospects For The Ewa Plain

Established as a merchant, Dillingham turned his interest toward real estate speculation. His early fliers in Manoa Valley were not notably successful and he was soon in debt. Seemingly undaunted, he became intrigued with the prospects for real estate development within the grazing lands of Central Oahu's Ewa plain. He was especially drawn to the shoreline area where the Pearl River met the ocean. He sought out James Campbell in the early 1880's in order to acquire holdings there together with several associates.

At age 40, according to one theory, Dillingham realized his only chance to escape his debts was to achieve success in real estate on a big scale. His oldest son, Walter Frear Dillingham, remembers as a young boy being taken by his father to the top of Red Hill. From this vantage point, the hardware merchant prophesied future vistas of agriculture and commerce once water was readily available.

His early hui actually sent out land colonization leaflets and reports to the mainland and elsewhere, although apparently little came of it. Their holdings along the Pearl River Lagoon were suitable for growing sugar but lacked water. Dillingham and others believed an artesian supply could be developed. Imported engineers confirmed this view, saying a series of pumps could tap such a source.

With water anticipated, Dillingham turned his attention to transportation. A railroad would make his real estate projects far more accessible and could link new plantations to Honolulu's harbor. Promoting such a scheme locally proved difficult, however, since few shared his imagination about the future. Skeptics dubbed the idea "Dillingham's folly."

Dillingham was successful in getting legislative approval for a franchise to build and operate a railroad, however, which King Kalakaua signed on September 11, 1888. No subsidy was extended; he was given 18 months to raise the necessary capital and three years to build a "steam railroad connecting Honolulu with Pearl River Lagoon."

Earlier he had attempted to interest British capital in the enterprise without success. His article for London's Railway Herald newspaper in 1887 presented bullish statistics on Hawaii's growth while averring that the kingdom's development was still "in its infancy."

Hackfeld's Isenberg Is An Early Ally

While unable to attract English interest, Dillingham did have some friends able to put up funds for the road, one of whom was Hackfeld's Paul Isenberg. Oahu Railway & Land Company was organized and the first 14 miles of track were soon being laid. His financing efforts continued as construction progressed. Hawaii's first steam shovel was brought in to help with the grading. On his 45th birthday in September, 1889, two flatbed cars towed by a small saddle-tank locomotive pulled a gathering of his friends a mile and a half.

A more auspicious beginning for the road was planned for Kalakaua's birthday in November after two eight-wheel locomotives ordered from Baldwin's Philadelphia works had arrived.

On that brave day, more than 4,000 people turned out for a free ride to Aiea and back. However, prospects for freight revenue were not readily evident on that first run. Castle & Cooke's Ewa Plantation, which had brought in an artesian well in 1879, was the only substantial leeward farming venture.

By 1890 the road reached Pearl City and the hui's town site lots began to sell as more wells were drilled. Two years later OR&L moved Ewa's crop to market. Ten years after the line had gone into business Oahu had nine producing plantations. Dillingham joined Isenberg in launching Oahu Sugar Company at Waipahu.

In 1895 the railroad was extended to Waianae. By annexation it reached Waialua and a year later it ended at Kahuku, far terminal for the system. At the turn of the century the road's volume began signaling light at the end of the tunnel for OR&L financially. Its founder was not as fortunate. He had organized a railroad at Hilo running to Ola'a, where he had shifted an early subdivision and coffee farming tract into sugar production. The road floundered and eventually went into receivership.

Walter Dillingham Launches Dredging Company

Walter Dillingham cut short a Harvard education to return and assist the family fortunes. In 1902 he organized the dredging company, borrowing $5,000 to do so. It was soon busy improving Honolulu harbor and opening up an entrance to Pearl River Lagoon, making possible the establishment of naval station facilities in 1912.

The railroad continued to expand, running a branch to Wahiawa in 1906 in order to bring pineapple planter James Dole's crop to town. The dredging outfit was able to create some 500 acres of waterfront land through reclamation at Iwilei, including a site for Dole's cannery. Around Pearl City pineapple acreage was extensively developed as well as sugar fields. At Haleiwa, a hotel was built for the railroad's tourist trade.

Two Dillingham Ventures Set The Stage For Oahu's Diversified Economy

The two ventures rapidly were giving the island a diversified industrial economy. By 1900 the territory's workforce was double the 1890 figure. In 1915 the railroad's taxes alone were equal to Oahu's total tax collections in 1892. Before B. F.'s death in 1918 his son was able to tell him that his road was out of debt.

In 1912 Walter Dillingham acquired Ala Moana swampland for the dredging company, feeling the area "might someday be worth something." In the '20's he began work on the Ala Wai Canal, draining the marshlands of Waikiki. (In all, Hawaiian Dredging has filled some 5,000 acres of marginal land on Oahu with the product of its dredging work.)

The two businesses didn't totally absorb his energies during this period. In 1913 he presided over the incorporation of Young Brothers tug and barge service (which merged with OR&L in 1952) and in 1918 he entered construction with Hawaiian Contracting Company.

Ala Moana reclamation with coral fill went forward in the 1930's. Neighbor Island breakwater and harbor dredging also kept the dredging firm busy. Along Honolulu docks OR&L wharves competed with those of the territory's Board of Harbor Commissioners. The railroad's passenger business was declining and trucks were cutting into its short-haul freight volume. Keeping up with the changing times, the road began building up its bus service, starting in 1929.

Role With Contractors Pacific Naval Air Bases Brings Overseas Experience

By 1939 the dredging company had acquired some experience on overseas jobs. It was successful in winning a joint venture contract with two mainland firms for a $15 million Navy building program to construct air bases at six Pacific locations. Later five more contractors were added, working at 28 sites from California to Manila. The original contract swelled to $1,125,000,000, a world-record for a single construction contract in dollar value, diversity and dispersion over vast distances. This was the Contractors Pacific Naval Air Bases combine, which played a key role in the Pacific theater of World War II. In 1944 Hawaiian Dredging on its own won another $15 million worth of naval construction work.

The war greatly expanded the company staff's capabilities. In 1946 the construction and dredging companies were merged and Hawaiian Dredging & Construction went into the international contracting field.

At war's end the future wasn't as bright for OR&L. Trucking now appeared to be the most efficient way to transport sugar. The company joined forces with Castle & Cooke, a long-time waterfront adversary, to establish Oahu Transport Company. In December of 1947 the 80 mile road shut down. A waterfront terminal service for two pineapple companies was maintained until the mid-'60's. The Navy took over a 30-mile branch from Pearl Harbor to Lualualei ammunition depot. Bus service continued for a number of years. (OR&L even had a brief fling with a taxi fleet). Pearl City and harbor dockside real estate still occupied the corporation. Young Brothers, a tug and barge service and ship repair yard, was merged with the railway company in 1952.

Ala Moana Center Undertaken

The Ala Moana Center undertaking was begun in 1949 when an HD&C subsidiary, Hawaiian Land Company, was set up for the task. Three years later preliminary plans had jelled and an architect selected. Putting the pieces together proved to be a painstaking process, however. Amfac's retail management at The Liberty House wasn't interested in coming in. Sears was, however, and Equitable Life Assurance Society was persuaded to advance $33 million to finance the first phase in 1959. The initial increment represented 680,000 square feet of leaseable space. New Amfac management signed up for the second phase, completed in 1966. This expanded the center to 1,550,000 square feet of leaseable area, making it one of the world's largest.

Focal point of the center was the twenty stories Ala Moana Building with its revolving restaurant. Completed in 1961 it set the pace for Honolulu's office building boom of the '60's. Here the Dillinghams brought together their assorted interests under one roof – corporately as well as physically. In the year the tower was completed OR&L and HD&C merged to form Dillingham Corporation. This move brought a score of Dillingham companies under the new corporation. At that time combined assets totaled $75 million, revenues $67 million and employment numbered 2,000.

"Expand As Fast As We Can"

A third-generation Dillingham was now at the helm. Lowell Smith Dillingham had succeeded his father as president of HD&C in 1955 and assumed the OR&L presidency as well five years later. He had already deployed dredging company engineers on jobs from Kuwait to Lake Tahoe, acquired an Australian construction outfit Haunstrup Corporation, and organized a joint venture with Amfac to develop Amfac's Uruguayan sugar plantations. Now with the merger behind him, Lowell announced the company was "dedicated to expanding as fast as we can."

In 1964 Dillingham acquired an Australian shipbuilder and a New Zealand ship repair yard. At home in Honolulu, it picked up a machinery sales house and a steel and cable sales outlet. The following year an Auckland towing and barge line and a British Columbia contracting firm were added; a New Guinea construction subsidiary also was organized. A marine engineering firm in Australia was acquired in 1966.

Then in 1967 the corporation's buying binge hit its stride. In that year a La Jolla, California manufacturer of oceanographic instruments and underwater television cameras joined Dillingham. So did an Australian mining company in titanium and zirconium. Another New Zealand shipyard, a Honolulu electrical distributor, a Vancouver, B.C. waterfront contractor, even an Australian cattle ranch: all were acquired in that same year.

In addition, in 1967 Dillingham acquisition specialists decided that one of the Big Five might be ripe for take-over: Theo. H. Davies. These overtures were repulsed by Davies stockholders and management, however.

There was no let-up in 1968: an underwater communications systems company in California, a liquefied petroleum gas distributor based at Sacramento, a Los Angels building contractor, and California's biggest road builder. Also in that year an Australian shipping line, a California quarry products outfit, yet another Vancouver, B. C. waterfront contractor, an Australian construction equipment house and a Honolulu real estate investment firm: all swelled the corporate roster. In the following year three West Coast towing and barge outfits were acquired in addition to a shipyard, a valve manufacturer and an interior design firm.

By 1970 A Corporate Colossus

By 1970, with revenues over the half-billion dollar mark and assets a shade under this figure, Dillingham had become a phenomenon covered in the trade, financial and general business press. Big Board listing had brought 13,000 stockholders. Partners included the Rockefellers and Eastern Air Lines (Dilrock Mauna Kea resort) and Pittsburgh-Des Moines Steel (Seafloor Contractors). Half its revenues were generated outside Hawaii: Down Under, Southeast Asia, Korea, Central America and Canada as well as the mainland states. Mainland U. S. construction jobs had even extended to the eastern seaboard. In its own right Dillingham had won the contract to build the 43-story Wells Fargo Building in San Francisco in the mid-'60's, followed by a luxury apartment complex in Dallas. With these jobs under its belt the company bid on contacts further east. Back home plans for an Oahu oil refinery in association with Continental Oil were announced, although later shelved.

Downfall Down Under

With the new decade, however, corporate officers soon found themselves preoccupied by bad news from Down Under, where Lowell's younger brother, Ben, was resident overseer. There cost controls on contract construction and dredging had broken down and losses were mounting.

Elsewhere throughout the sprawling corporate empire, other projects turned sour also. When the accountants had finished toting up the damage, the corporation had sustained a net loss of $6.9 million for the year and had reduced its net worth by $12 million and its working capital by $20 million.

After this sobering experience, Dillingham settled down to the task of digesting its gobbled intake. H. C. Cornuelle, a former head of Hawaiian Pine, stepped up to the presidency and formed a new executive line-up. Some of the acquisitions were purged from the corporate system. In this shakedown the company's original dredging function was dropped. In the bicentennial year the corporation owned but one hydraulic dredge and that in Western Canada.

In the 1972 annual report Lowell Dillingham and Cornuelle told stockholders: "While in retrospect it appears there may have been too much emphasis on sheer size, the acquisitions during the 1960's diversified the corporation geographically and added several strong operating units. Our most profitable and fastest-growing companies now run the gamut from our oldest to our newest.

"There is no question that Dillingham is in a much stronger position now than it would have been if it had not grown and diversified."

The corporation's only major new investment of the early '70's was half interest in a bulk shipping line, Pacific Norse, in partnership with a Norwegian shipping firm.

In 1975 Cornuelle told employees to "discard any ideas about our size…We aren't trying to be the biggest anything." Their objective should be to achieve a better return on equity capital. Under his selective growth policy, gain in earnings per share is what really matters. The year before, with revenues approaching the $800 million mark and assets of $600 million, the corporation earned just under $20 million on working capital of $125 million and stockholders' equity of $189 million.

The billion dollar revenue level holds no fascination for management, according to Cornuelle. The company "has no particular dollar figure in revenues that it's aiming at."

Of the six organizations, only Dillingham retains strong family influence in its executive suite. But it is a professionally-managed, multinational company that has placed its corporate crest on enterprises the world-over.

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POSTSCRIPT

Hawaii's "Big Six" business organizations outgrew the boundaries of the islands that nurtured them.

Four began as port chandlers and shopkeepers acting as buyers and shippers for outer island farmers. But very early in sugar's development all five factors supplied equity as well as debt financing to their plantations. As farmers and factors both adopted corporate life, the ownership and client-agency relationships became blurred until the workings of capital markets and tax laws shaped five parent-subsidiary groups.

Forty years ago they controlled territorial commerce: putting up a united front in sugar politics, technology, and marketing while sharing and competing in Hawaii's business market generally. As industrial unionism, political and marketing changes eroded their power and their profits, they were able to deploy their resources. Time, taxes and portfolio diversification transformed them from family companies to Big Board contenders. The lure of the islands attracted management talent and investment.

Thus, they grew ever larger – on a larger stage. The challenge to their Hawaiian hegemony provoked a response toward new horizons. In an age when Big Business is considered a synergetic science to be practiced across national boarders by computer and jet, they are keeping pace.

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