Hostess Moves to Liquidate after Crippling Strike

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Hostess Brands Inc. says it's going out of business after striking workers across the country crippled its ability to make its Twinkies, Ding Dongs and other snacks.

The company had warned employees that it would file a motion with U.S. Bankruptcy Court Friday seeking permission to shutter its operations and sell its brands if plants hadn't resumed normal operations by a Thursday evening deadline. The deadline passed without a deal.

The closing would mean the loss of about 18,500 jobs.

"I don't know if they thought that was a bluff," CEO Gregory Rayburn said on CNBC Friday. He said the financial impact of the strike makes it "too late" to save the company even if workers have a change of heart. That's because the clients such as retailers decide to stop carrying products when supplies aren't adequate.

Rayburn said he's hopeful that the company will find buyers for its roster of about 30 brands, which include Ho Hos, Dolly Madison, Drake's and Nature's Pride snacks. The company books about $2.5 billion in sales a year.

Hostess, based in Irving, Texas, said its stores will remain open for several days to sell remaining products. Operations at its 33 factories were suspended Friday. The privately held company filed for Chapter 11 protection in January, its second trip through bankruptcy court in less than a decade.

The move comes after thousands of members of the Bakery, Confectionery, Tobacco Workers and Grain Millers International Union went on strike last week after rejecting a contract offer that slashed wages and benefits in September. The bakers union represents about 30 percent of the company's workforce.

Rayburn said the union's leadership had misled members into believing there was a buyer in the wings who would rescue the company. He said the union hadn't returned the company's calls for the past month.

A union representative did not immediately return a call seeking comment.

Hostess had said earlier this week that production at about a dozen of its plants were seriously affected by the strike. Although many workers decided to cross picket lines, the company said it wasn't enough to keep operations at normal levels. Three plants were closed earlier this week.

Hostess had already reached a contract agreement with its largest union, the International Brotherhood of Teamsters. The Teamsters had urged the bakery union this week to hold a secret ballot on whether to continue striking.

Hostess said the company is unprofitable under its current cost structure, in large part because of union wages and pension costs. Rayburn said in a statement on the company website that all employees will eventually lose their jobs, "some sooner than others."

"Unfortunately, because we are in bankruptcy, there are severe limits on the assistance the (company) can offer you at this time," Rayburn wrote.

Hostess, founded in 1930, was fighting battles beyond labor costs. Competition is increasing in the snack space and Americans are increasingly conscious about healthy eating.

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