

Whitehall Specialties Ready To Compete With The 'Big Boys' With Latest Expansion

Company Adds Slice-On-Slice Product Line In Latest Expansion; Eyes Growth In Pasteurized Process

Whitehall, WI—For industrial and foodservice cheese manufacturers, the strongest opportunity for growth lies in the pasteurized process cheese product category, and Whitehall Specialties, Inc. is getting ready to compete with a recent expansion and two new product lines.

Headquartered here, Whitehall Specialties is a manufacturer of custom analog and process cheese style products.



Whitehall Specialties

A world leader in **custom** cheese products.

"Imitation" products do not use any cheese, or keep to a certain set of ingredients – generally casein or caseinates as a protein portion, along with some type of oil as a fat source.

"That would be your sandwich slices in the individually-wrapped area," said president and CEO Steve Fawcett. "It kind of goes that route on any type of imitation cheese you're talking about – blocks or shreds."

The strongest opportunity for growth lies in the pasteurized process cheese product category, Fawcett stressed.

"We think we're the innovators in imitation and cheese product areas, and that will be the area we want to address first – the 120 and 160 (count peel-apart slices)."

—Steve Fawcett,
Whitehall Specialties

"Kraft has been an innovator in that area for years already," he said. "If you go to the grocery store case, you'll clearly see that. We think there's a big percentage of the product area out there that we'll go after."

Whitehall Specialties has three plants – a primary facility that serves as company headquarters in Whitehall, a new operation that was constructed in 2007 – also in Whitehall – and a plant in Hillsboro, WI.

The company is adding roughly 15,000 square feet to its existing 75,000 square-foot facility in Whitehall. Construction is slated for completion by December, and total cost for expansion of both product lines is between \$8 million and \$10 million, Fawcett said.

The first new line is individually wrapped slices – a business White-

hall has been in for quite some time already, according to Fawcett.

"We had decided to expand production capabilities and employ the latest automation," he said, using robotic automation for packaging and handling.

The second line will be dedicated to slice-on-slice (SOS) capabilities. Whitehall will be producing 120- and 160-count peel-apart slices early next year.

"It's a totally new line with brand new equipment," Fawcett said. "It's a big business. We'll be playing against the big boys like Schreiber, Land O'Lakes, Pace Dairy, Great Lakes

Cheese – all the big companies are doing it."

The company has delved into the SOS sector before by having other companies manufacture the product for Whitehall Specialties on a private label basis – without great success, Fawcett added.

"We think we're the innovators in imitation and cheese product areas, and that will be the area we want to address first – the 120 and 160," he said.

"Bongards does it up in Minnesota, and we thought it was time to control our own destiny on that product," Fawcett continued. "It's such a large business – it's endless with the fast food chains."

Whitehall Specialties employs just under 300 workers. While the initial expansion will double production capabilities without requiring additional employees, the company's second phase of expansion will call for additional help.

Customer needs and changes in the marketplace prompted the expansion, according to Fawcett.

"Up to this point, we've stayed mainly with imitation sandwich slices, dabbling just a bit in cheese product and cheese food," he said.

We're going to expand our packaging capabilities – which had restricted us up to this point, and push harder into the cheese product and cheese food areas, Fawcett said.

We previously chose to stay away from those areas because our lines were already full, he said.

"Part of it's also a challenge to get out there and get some more business," Fawcett continued.

Primary competitors for Whitehall Specialties include Kraft Foods and Schreiber Foods.

There were a few companies that went out of business in the last year that were competitors – Blue Valley Foods of Hebron, NE and AC Humko Corporation, Memphis, TN – and Whitehall Specialties was able to pick up some of that business,



Fawcett said.

"As far as other companies, there are those that delve into it, but it's not their main business," he said.

Whitehall Specialties supplies customers throughout the US, and is able to accommodate buyers around the globe. Sales are primarily in the industrial food sector, followed by individually-wrapped slices in the foodservice category and a good portion of shreds for retail outlets.

Individually wrapped slices are available in American, White American, Jalapeno, Swiss and other custom flavors. Products made with natural cheese include cheese food, cheese product and cheese spread, and applications include sandwiches, hamburgers, subs, omelets and other cafeteria applications.

Shreds are available in Cheddar, Mozzarella, American, Muenster and other custom flavors. Shred products are used in the preparation of pizza, lasagna, tacos, omelets, sauces, salad spreads, salad bars and cheese breads.

The Whitehall Specialties Test Kitchen, an expansion of its Customization Lab, is another resource available to customers. In the Test Kitchen, a representative end product can be created, comparisons

between cheeses can be made, and new uses can be discovered for existing cheese products.

By incorporating the product into actual food preparation, the research team and customer can view not only the cheese itself, but also see its intended use. The cheese can be evaluated on taste, functionality and overall performance in any given product.

Sales Steady, Despite Economy

Sales for 2009 are slated equal to 2008, Fawcett said. With the economy the way it is, sales haven't really expanded, but kept pace with last year, he said.

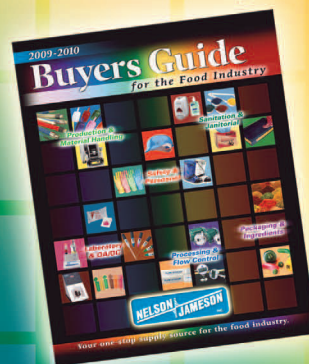
"Maybe there's been a slight increase in pounds," Fawcett said. "Of course, the overall dollars in sales aren't as much this year as last year due to prices being higher on everything."

"But the economy has been fairly good to us. We've been busy throughout the year and doing well, all things considered," he continued.

Currently, between 20 to 25 percent of total production at Whitehall Specialties is sold at the retail level. With the future expansion, that volume will jump by at least 10 percent, according to Fawcett. **FR**

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