

# CRAIN'S

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CHICAGOBUSINESS.COM | SEPTEMBER 21, 2015 | \$3.50



Cheryl Crockett owns Chicago-based Crockett Cookies, which produces cookies for local Walgreens and Whole Foods.



JOHN R. BOEHM

AS MASS-MARKET FOODMAKERS RETRENCH,  
STARTUPS FIND GROWING DEMAND FOR THEIR NICHE ALTERNATIVES

# IT'S A SMALL WORLD

BY MICAH MAIDENBERG

Mondelez International is firing 600 workers as it shifts production of Oreos from its industrial-sized bakery on the Southwest Side to Mexico. But in a 4,000-square-foot space a few miles away on the Near West Side, Cheryl Crockett may be hiring as she expands her cookie business.

The owner of Crockett Cookies is planning to add peanut butter cookies to the line of "lunchroom-style" butter cookies that allowed her to grow from a home baker to a

business owner with four employees who produce 3,600 five-cookie packs a week for local Walgreens and Whole Foods stores, where they retail for \$3.99 or \$4.99 (depending on butter content).

What's happening in the cookie-making trade here is a parable for how the more than \$32 billion food manufacturing sector is changing. Conglomerates with big plants and unionized workforces are under threat, even as small

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# Small foodmakers find a growing market for their premium products

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and mid-sized food processors find customers for smaller-batch items.

The industry's future, in other words, is more in specialized and often premium-priced products and less in low-margin commodity manufacturing, where every penny of labor cost stands out as a potential competitive disadvantage.

"Every food company that's been around for a while has to rethink what they want to do for the next 10 or 20 years," says John Geocaris, managing director of the food practice at Altura Group, a Chicago-based consultancy. "I would say we'll always be a center of food manufacturing, but it may not be based as much on big companies."

Chicago's food industry has thrived thanks to a transportation network that connects city factories to raw materials in one direction and to consumers in the other. But in addition to the job cuts by Deerfield-based Mondelez, which will halve its Marquette Park workforce, General Mills is shuttering a factory in West Chicago, where 500 people work. And Kraft Heinz just dismissed 700 people at its headquarters in Northfield.

Many of the smaller compa-

nies that are growing are taking advantage of rising demand for food products that make a particular health pitch such as gluten-free or organic, use local ingredients or offer a "clean" nutritional label, without a laundry list of additives and ingredients.

"To me, the small food manufacturing sector feels like what craft beer felt like about 10 years ago," says Steve DeBretto, executive director of the Industrial Council of Nearwest Chicago, an economic development group. "I think it's poised for sustained, rapid growth."

He points to a study commissioned by the city as an indicator of the entrepreneurial push in foodmaking. The study from last year found 43 percent of the 808 sole-proprietor manufacturing firms created in the area between 2008 and 2012 were related to food.

## 'NICHE PRODUCTION'

Other studies bear out the trend. As of 2010, the latest data available, 40 percent of the 1,182 food-manufacturing companies in the Chicago region employed five or fewer workers, according to a 2015 report about the sector from the Illinois Manufacturing Excellence Center and RW Ventures, a Chicago-based research group. In 1990, companies with

five or fewer employees represented 27 percent of all the food makers here.

"You have this happening across the economy—a move toward slightly smaller, niche production. It's particularly true with food because it plays to a market demand trend for healthy and local and nutritional," says Robert Weissbourd, president at RW Ventures.

Despite the increase in the number of small firms in the region, larger companies, with 250 employees or more, still employ the most people—62 percent of the nearly 73,500 food manufacturing workers across the area as of 2010, according to the report. Employers with large foodmaking operations here include John B. Sanfilippo & Son, Tootsie Roll Industries, Nestle and Carl Buddig.

Subco Foods is in the middle. The nonunion company employs 75 in West Chicago, where it's based, and 125 at a plant in Sheboygan, Wis., creating private-label food products for retailers, taking orders for contract food manufacturing and producing under its own brand, CEO Mas Khan says. He credits Subco's growth to its ability to keep costs low and nimbly shift production lines to make changing customer needs. "We don't have layers and layers of man-

## SMALL MANUFACTURERS START UP

The number of food manufacturers in the Chicago area with five employees or fewer jumped 35 percent between 2000 and 2010, even as the number of firms with 250 workers or more fell 17 percent.



Source: Chicagoland FOOD report from RW Ventures and the Illinois Manufacturing Excellence Center

agement," he says.

Still, small companies don't have it easy. Though they lack the people and money the giants have, they nevertheless must comply with the same federal food and labor standards as well as local licensing requirements for shared kitchens. They also have to answer an existential question.

"I think a small manufacturer in Chicago has to decide what they want. I know people who want to sell at farmers markets—they enjoy that lifestyle," says Tom Knibbs, who co-founded Chicago-based Urban Accents, which makes spice blends. On the other hand, he

says, "there are some people who want to become the next Skinny Pop," which went from a two-person startup in 2010 to a publicly traded company in August worth almost \$1 billion.

Crockett wants to be bigger, if not big. In addition to building an e-commerce site and a take-away area for walk-up customers at her Fulton Street bakery, she wants to sell more cookies to Deerfield-based Walgreens Boots Alliance. "If and when I secure the national account, it will just be way different," she says. "I'll probably have to triple the staff."

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