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The fallout from XL Foods

The next label battle looms

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West Liberty Foods

CEO **Ed Garrett** cleans up

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Eric Eitzen

By Tom Johnston, managing editor
The sky can hardly get a brighter blue than it does in Tremonton, Utah. Those without the benefit of sunglasses would be forced to squint and risk losing out on the splendor of the Wasatch Mountains, which were reddening with foliage turning in mid-October.

Fittingly, things are looking up at West Liberty Foods, whose meat processing plant in Tremonton has been buzzing with construction crews. Another expansion to this five-year-old facility — which helps the company produce an annual 200 million pounds of deli meat for the likes of Subway — will add high-pressure processing (HPP) capabilities to a roster of cutting-edge technologies that optimize food and worker safety. Among them are self-contained, single-cell slicing rooms and robotic slicing log loaders.

“If you don’t grow, if you don’t use technology, you will be left behind,” says CEO Ed Garrett.

An admitted “tech geek,” Garrett has helped the West Liberty, Iowa-based company stay at the front of the pack since he joined as vice president of operations in 1999. At the time, the company employed 450 people and operated four turkey slice lines. Today the company employs nearly four times as many workers and runs some 40 slice lines to produce turkey, chicken, ham and roast beef.

Having picked up nuggets of wisdom during turns at Tyson Foods, Perdue Farms, ConAgra and other major companies, Garrett sought to apply his operational know-how



Operational expertise, a taste for technology and a commitment to doing business the right way has

WEST LIBERTY
FOODS’
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GARRETT

at the forefront of the industry.

to West Liberty Foods, which had been formed by a 47-member turkey grower cooperative in 1997. From the beginning the focus was selling food safety, the ability to painstakingly protect customers’ brands. Such efforts have landed the company lucrative business with the likes of Subway (which named WLF its 2012 Vendor of the Year) and Costco.

For Garrett, attention to customers’ needs is one example of doing business the right way. Another is creating a good working environment for his employees. And yet another is his commitment to creating a good environment for future generations. This year West Liberty became one of the first U.S. companies to receive “landfill-free” status from the National Science Foundation for its green initiatives at Tremonton and Mount Pleasant, Iowa.

Meatingplace sat down with Garrett at the Tremonton plant to discuss the passion behind West Liberty’s success and its next steps.

Meatingplace: Your resume boasts stints with Tyson, ConAgra, Louis Rich, Oscar Mayer, Zacky Foods and Perdue Farms. What did you learn from each of those experiences that informs your approach to leadership at WLF?

GARRETT: From each one of those companies I’ve learned different management styles. The biggest thing, as I’ve matured in the industry and in my day-to-day-management skills, is trusting and believing in your team. Really, from the Louis Rich days and Perdue days, what I learned was recognize your weaknesses and put the right people

THOUGHT LEADER

around you that have the strengths where you may be weak.

Meatingplace: What kind of effort has gone into making your processing plants landfill-free, and why make it?

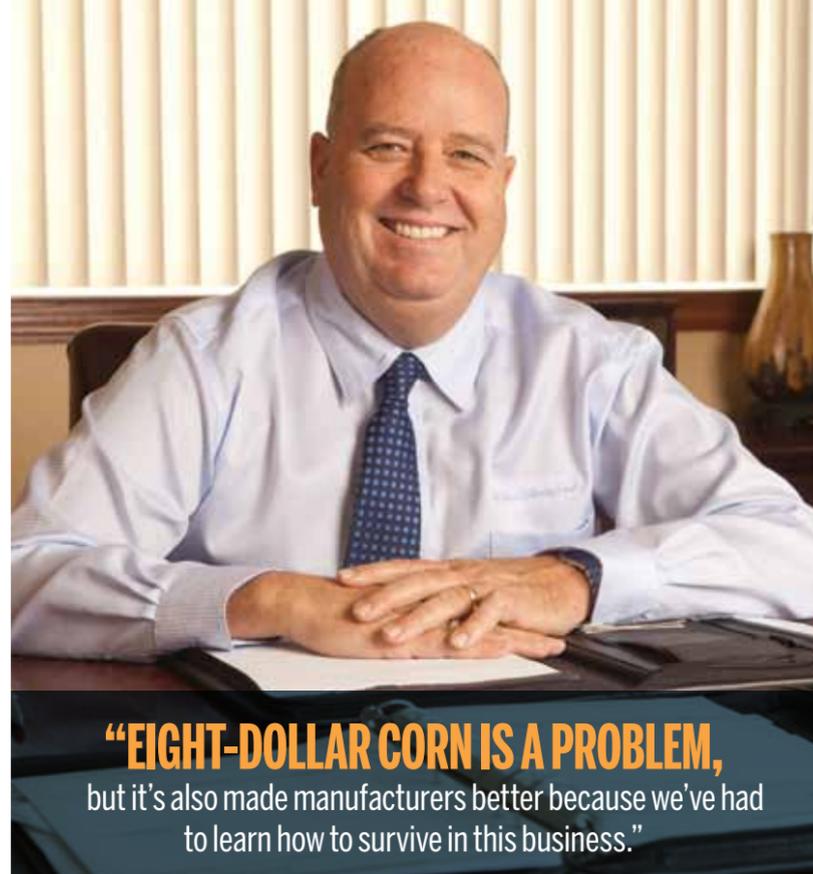
GARRETT: It's really the right thing to do. It's right for the community, right for the country and for West Liberty Foods. What went into it? I spent some time at a couple seminars on sustainability and recycling. I just came back and thought, 'You know, why can't we go landfill-free?' So I brought my team members together, my vice presidents, and threw out a challenge. At that point it just became a live process. Our associates [in Tremonton] jumped right into it, followed the trash trucks and figured out what was going to the landfill and then figured out how to have secondary waste streams for that product. Once they started rolling here, our Mount Pleasant plant took up speed and was getting it done, and now we're close to getting West Liberty completed. Once West Liberty is completed, the entire company will be landfill-free.

Meatingplace: Beyond sustainability, what is your philosophy on what it means to do business the right way?

GARRETT: Doing business the right way ... starts with our associates. We make sure they're in a safe and protected environment for their day-to-day jobs, that they know they'll be treated fairly and consistently, and that we'll listen to them and have them help us grow our company. That goes for the training we give them and the food safety education ... to the day care we have in Tremonton. We're just making sure we're a well-rounded company and understanding that we're only as good as our associates.

Meatingplace: How does that philosophy extend to your customers?

GARRETT: The word partnership sometimes is overused, but I truly believe that with our key customers we



“EIGHT-DOLLAR CORN IS A PROBLEM, but it's also made manufacturers better because we've had to learn how to survive in this business.”

have a partnership and they understand who we are. We're farmer-owned. Our roots are in the middle of Iowa. Our owners do everything on a handshake, and their word is their word. We've spent 13 years in the Subway system, five years in the Costco system. Both companies understand who we are and that we are going to do the right thing.

Meatingplace: To what specifically would you attribute the company's impressive growth over the years?

GARRETT: In October 1999, we were probably further processing, cooking and slicing somewhere between 15 to 18 million pounds annually. We're now probably doing 200 million pounds annually of sliced deli lunchmeats, and then we've added a fully cooked chicken line for patties, strips, batter and breading. When I joined West Liberty Foods we were a turkey company; now we do most proteins: roast beef, ham, chicken and turkey.

When I joined West Liberty ... the industry was under a lot of pressure for food safety and there were challenges we were all having in slicing

lunchmeat. As we saw that competitors were going away from slicing, we made a decision that we're going to improve slicing and do it differently. We focused on the Mount Pleasant facility, building it with the clean-room environments, putting one slice line in one room. Then we were able to bring our key customers out there and show them that their brand is our brand and we'll protect it the best we can. Once people understood the way we do business, the company just took off.

Meatingplace: WLF is well-known for its strong relationship with Subway. How, though, have you ensured that you don't have too many eggs in one basket?

GARRETT: We know we have to develop a stronger presence in retail, and we've done that. We have expanded our customer base over the last couple years in a private-label program. We're not going to come out with our own brand, but we are in many retail outlets (under their private label): Costco, Walmart, Sam's Club, Aldi, Kroger. We are growing our base business on the

retail side to make sure we don't have too much business with just one player.

Meatingplace: In recent years the sandwich segment has been booming. What would you say is the state of sandwiches today and where do you see future growth?

GARRETT: It's almost unlimited. If you'd have asked me this three years ago, I would have said it's pretty well saturated, but every year the same-store sales for Subway and other sandwich stores continue to grow. It's convenient. It's a value. So I think the continued growth is really unlimited.

Meatingplace: Your company has been known to have an impeccable food safety record. Where did that type of commitment and culture begin in the company's history?

GARRETT: It began when the owners decided they were going to purchase the West Liberty facility and when we surrounded that facility with seasoned managers from across all levels of the meat industry. Once we built Mount Pleasant, we went out and got seasoned managers to help us build a company that was a little bit different than anyone else, and that was built around food safety.

That was one of the major things I wanted to accomplish when I came on board. I'd worked for many different companies, and all of them did a lot of good things, but this was an opportunity to bring all those things under one roof and build something that nobody had done before.

Meatingplace: Effective food safety initiatives require investment in technology. Would you say your company is more aggressive than competitors in its willingness to spend the extra money?

GARRETT: Undoubtedly, when we [built individual slicing cells] we probably were more aggressive. Back when we built the Mount Pleasant

facility, sure, it cost us about 33 or 34 percent more than a traditional slice building. Today, because of the proven technology and what we've been able to do, now it's a way of doing business. If you're going to build a new slice plant, you're going to do a single-cell or double-cell operation. But even if you do build the cells like we do and put in the right equipment and put a lot of dollars behind food safety, it starts with associates. Training them and educating them from the floor up is the only way you can make it work.

Meatingplace: It's often said that food safety is not a competitive issue. But do you see more of an opportunity for your company and the industry to make food safety a selling point?

GARRETT: There is a competitive edge if you can say we have many

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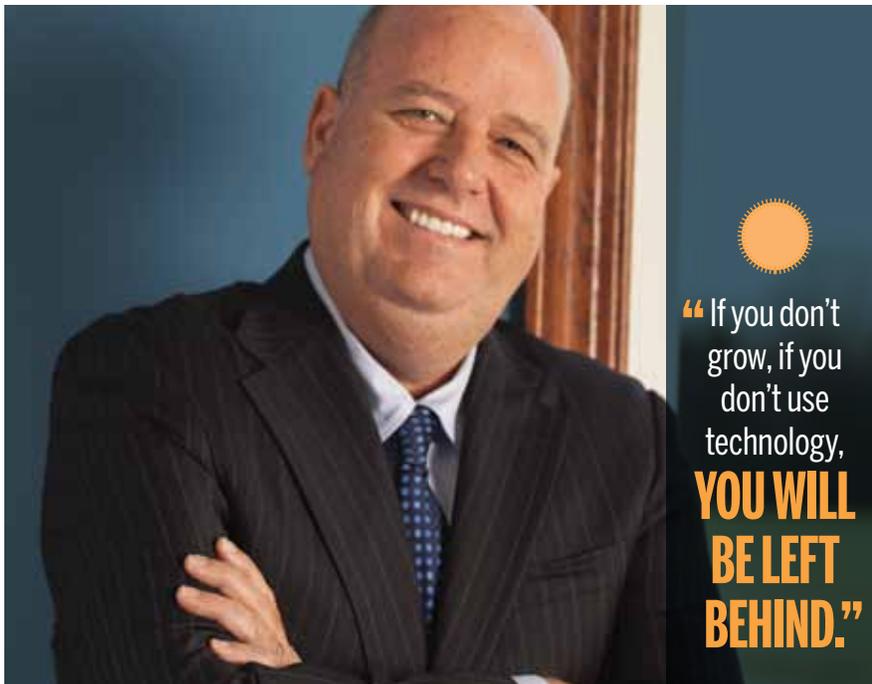
hurdles in place to protect your brand. We've been able to show that to our customers. We've gotten business because we've been able to show them they can go to bed at night and feel comfortable in the morning that their product is being produced as safely as is possible in the industry.

Meatingplace: There's some recent research indicating, at least by way of a decline in the number of new low-sodium products, that consumer demand for them might be on the decline. What do you make of that?

GARRETT: Sodium is flavor, fat is flavor. So you've got to be able to reduce the sodium and fat but still deliver a flavorful product. If you can do that, then your customers and consumers are going to be supportive of your initiatives to lower sodium and fat.



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We've sent our R&D folks to a lot of seminars to develop their pallet, to develop their minds as to what you take out, you have to put back in. It's fun. It's exciting. It's changing all the time. There are new [technologies] coming that provide opportunities to lower sodium, to lower fat and improve your product. You just have to stay on top of it and have people who enjoy it, and it becomes a way of life.

Meatingplace: Food safety and nutritional profiles are but two concerns for you as a deli meat and RTE processor. What else is really eating at you these days?

GARRETT: The biggest issue the entire industry is facing is grain costs. We've all figured out a way to continue to do business in high grain markets, but over the long term there has to be some kind of relief for the farmers. It might be a safety net from the government ... but \$7.50 to \$8 corn is not good for anybody.

Meatingplace: West Liberty Foods raises 5.4 million heavy toms per year. How have you done business in

this high-cost environment?

GARRETT: We've had to pass costs along to the consumer. Food costs are up by as much as 5 percent per year, so you can't pass it all along. You get the cost impact today, but it may take year to pass along to the end user. So during that time you have to look at how to be more efficient.

This landfill-free initiative ... was a bit of an investment, but we're also seeing some return. We're not paying the costs for going to the landfill. We're recycling 54 percent of it and getting a revenue stream for that. Eight-dollar corn is a problem, but it's also made manufacturers better because we've had to learn how to survive in this business.

Meatingplace: In current economic times, we're seeing percolation in mergers and acquisitions. Are you more likely to make some acquisitions in the near future or to be acquired?

GARRETT: I'm not saying we'd be acquired or acquire someone. I can tell you our owners are very happy and are

focused on growing the way that we have and want to continue the growth. We want to make sure that when we grow, we build plants that we want. We don't want to acquire a plant that might have some age to it or might have some difficulties. Continuous growth will happen, but it will be internal growth — by just expanding on our current product lines and getting into new product lines.

Meatingplace: West Liberty Foods is known as a pioneer in the industry. What's next for your company?

We look back 13 years ago when we were just a turkey company. It was a natural branch to do the other proteins and sliced deli meats, because we knew slicing. Then just four years ago we started the IQF chicken line here, a whole new thing this company had never seen before. There are a whole lot of other items that might go with that outside the protein that we're looking at. We are looking to broaden our product base. I would say within the next six months to a year, we'll decide whether to get into newer businesses outside of sliced lunchmeats.

Meatingplace: With the addition of HPP, it's obvious your company likes new technology.

GARRETT: Yes. Technology is a great word, but really it's doing things better than you did yesterday. ... We want to be on the leading edge of technology.

We want to have the new and improved processes. ... If you don't grow, if you don't use technology, you will be left behind.

We're not going to let that happen. ☉

WEB EXTRA

For a look inside

West Liberty Foods' facility in Tremonton, Utah, and clips from our interview with CEO Ed Garrett, visit <http://meatm.ag/edgarrett>