

Acting globally, producing locally

Reading has been part of the Markel Food Group since 2012. In an interview, Joseph S. Zaleski Jr., President of Reading Bakery Systems, told Hildegard M. Keil what challenges and opportunities the group membership offers.

+ Keil: Mr. Zaleski, Reading was bought by Markel a couple of years ago. Where does Reading stand today?

+ Zaleski: Together with Tromp, AMF and Solbern, we are part of the Markel Food Group. Tromp and AMF serve the bread, bun, pizza and pastry side and Reading serves the snack side of the food industry.

+ Keil: Reading also offers its continuous mixer to the bread and bun industry. Is Reading trying to get into the bread industry as well?

+ Zaleski: Our Exact Continuous Mixers transcend the Food Industry across many platforms. Reading bought the Exact Continuous Mixer business in 2008 from a smaller company in Memphis, Tennessee. Reading has worked with Exact Mixing since 1992 integrating continuous mixing technology into our snack production lines for products such as pretzels, baked potato chips, crackers and biscuits. In addition, many Exact Mixers have been installed in the pet food, pizza, energy bar, pastry and bread /bun industry over the last 25 years. As you have seen with our new bread and bun continuous mixer, our relationship with AMF and Tromp enables us to offer continuous mixing technology on their product lines, as well. This gives us the opportunity to reach a large number of new customers and will help us continue to grow the Exact Mixing part of the business.

+ Keil: Wouldn't that also be possible for other technologies from your company, extrusion technology for example?

+ Zaleski: We are only beginning to recognize the synergies between each of the Markel Food Group company product lines. As we work together more closely on projects and processes in the future, we expect the bonds between the companies to be stronger and help us compete better in a global market place. A good example is the Innovation Centers at Tromp in the Netherlands and Reading in the US. Both companies operate expansive technical centers showcasing our processes and assisting companies to develop the food products of the future. We are already starting to cross populate the centers with equipment from each of the Markel Food Group members. This will help us create a more regional approach to supporting our process lines. Another great example of the collaboration is in the Russian market where snack food manufacturers also tend to be the major regional bread producers.



++ Joseph S. Zaleski, President of Reading Bakery Systems

+ Keil: What kind of snacks do the Russian factories produce?

+ Zaleski: Their primary snack food is a family of dried bread products called sushka. Reading saw the first sushka line in Russia in 2004 while visiting Russian companies we met at the Snackex trade show. We were invited to look at the process and offer solutions to modernize the production. In 2008, we met a major bread manufacturer at the ISM show. They visited us in Robesonia to learn about our low pressure extrusion machines used widely in the United States to make pretzels. In 2009, we installed the first of three lines in their factory to produce both sushka and pretzels. To date, we have installed eight production lines in Russia.

+ Keil: Let's return to Reading's future ...

+ Zaleski: Reading's immediate opportunity is to leverage the Markel Food Group resources as a means to advance our growth. With worldwide assets, the group has facilities in the US, Europe, the Middle East, South America and a common manufacturing resource in our Markel Food Group manufacturing plant in Tianjin, China. Before the end of 2016, Reading will have direct employees stationed in each of these facilities. We will have a sales office at Tromp in the Netherlands; an engineering and manufacturing cell at the Tianjin factory and a sales office in Dubai.

+ Keil: Reading is starting to branch out, but is there also cooperation between the different companies of the group?

+ Zaleski: In general, the Markel Food Group is very young. AMF has been with Markel for about ten years, but Reading and Tromp only joined the group three years ago. In fact, the entire Tromp Group only joined last year with the addition of Den Boer and Vanderpol. As we continue to work together, new opportunities for collaboration will emerge. Each company has its own unique product line, but we now have the ability to connect on equipment designs common to all companies such as dough handling and oven technology.

+ Keil: Tromp is dedicated to bread, pizza and cakes, Reading to dried snacks, AMF to bread and buns American type ...

+ Zaleski: The AMF and Tromp products lines are more closely aligned than Reading's. AMF and Tromp can now reach a wider customer base than they could independently. Although each company has their own separate sales force, manufacturing and service teams, there have been a number



++ Sushka production; now Sushkas are also available in mini-format, 20 mm diameter

of opportunities where we can share resources. One example of this is at trade shows. For regional shows, it's convenient to have one large booth under the Markel Food Group name where we can utilize common resources such as show planning, setup and administration, while still separately promoting the brands of each company.

+ Keil: But you always name your products Reading ...

+ Zaleski: Yes, the companies are part of the Markel Food Group but the historic value of each company's brand name is more recognizable in the market than the Markel Food Group brand. We intend to maintain each company's brand name on equipment, not label the equipment with a new Markel Food Group brand.

+ Keil: You could possibly share service people?

+ Zaleski: Yes, we already share service and sales people. Tromp and AMF share sales people in South America, and our South American sales team coordinates with them. We also share sales people in the Middle East and Asia, but there are some limitations to this arrangement. It's too difficult for one person to know the product lines of all three companies. Our customers want to speak with a knowledgeable sales, service and project management team. So, even where we share resources, we'll continue to have people that specialize in each of the company brands.

+ Keil: What's the situation regarding enlarging the product portfolio?

+ Zaleski: Each company devises their own growth plans. In our case, our strategy is to grow our market base by leveraging the assets of the Markel Food Group while at the same time expanding our product line by adding additional snack systems. Presently, our core process lines include Pretzel & Snack Systems, Biscuit and Cracker Systems, Multi-Crisp Systems and Exact Continuous Mixing Technology. The core competency of Reading is to sell complete snack processing systems from mixing through baking and drying. We recently introduced a High Pressure Extrusion System for the forming and drying of expanded snack products at the SNAXPO trade show in Houston, Texas. In other cases, we will begin to work collaboratively with our sister companies to integrate some of their unique technologies in to our production lines.

+ Keil: Where do you see

concrete evidence for that in the Group?

+ Zaleski: For example, Tromp manufactures a soft biscuit and batter depositor typically for lines that are lower output and more narrow than ours. Reading doesn't have this technology, so we have an opportunity to cooperate with the Tromp Group to offer wider machines with higher outputs in combination with our wirecut and rotary molder machines. In fact, Reading and Tromp will soon have a combined cookie line in our Innovation Center in Sinking Spring, Pennsylvania to demonstrate these three forming solutions. We will be capable of mixing dough, forming and baking all types of cookie products. The line will be up and running by August of this year.

+ Keil: How does Reading plan to serve the Chinese and Asia Markets in the Future?

+ Zaleski: Reading has a great opportunity to expand our market in the Asia region by utilizing the Markel Food Group facility in Tianjin, China. We have some very unique product lines such as our Pretzel and Snack System to produce a wide range of snacks, and our Multi-Crisp System to produce baked potato chips, baked corn chips, baked rice crackers and similar types of products. These are examples of processes that we can carry all over the world. Our Asia strategy is to build our operation through the Tianjin facility by positioning

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sales, engineering, manufacturing, project management and service support resources in the region. The official launch of our China operation will be at the Bakery China Show in 2017 where we plan to exhibit a portion of our product line built in Tianjin.

+ Keil: What are the main product trends in the snack industry you are serving?

+ Zaleski: Product innovation is always one of the most important aspects of our business and a primary reason why our customers look to us for solutions. We created our Science and Innovation Center in 1997 for the purposes of providing an environment where our customers can test new product concepts and validate product designs. Our Innovation Center has grown over the last 20 years to include machine development, ingredient supplier testing, training for process personnel and developing new products. When our customers purchase a process line from us, we generally include a couple weeks of training and product validation in our technical center. They send their ingredients to us and we'll teach their staff how to produce the desired products on a pilot line which scales up proportionally to the production line they purchased.

+ Keil: Is there still a serious trend towards baked products instead of fried products?

+ Zaleski: We have seen a continuous trend from fried products to baked products for many years. Snacking healthier started in the more mature snack markets of the US and Europe and is now finding its way around the world. The primary challenge to healthier snacks is the higher cost of the ingredients, processing or packaging requirements. Products such as baked potato crisps have a higher ingredient and processing cost than fried potato chips. The industry needs to develop a series of healthier snacks using lower cost local ingredients combined with formulas and processing solutions that appeal to the regional tastes. If a healthier snack food tastes great, satisfies the appetite and is offered at a reasonable price, then this would be the logical choice for the consumer.

+ Keil: Is there an impact of low carb products?

+ Zaleski: We have seen many trends in the snack food market over the years. Lower carb diets have been around for many years. We've been through the low fat, gluten free, veggie infusion, low carb and now the "clean label" trends. Each one of these trends, supported by a lot of good research, leaves its impact on the industry. We have built machinery for gluten free mixing, low fats dough forming and dryers for vegetables. The snack food industry is also adapting to the choice people are making to eat healthier snacks in smaller portions throughout the day, instead of the typical set meal times.

+ Keil: What is the significance of the European market for you?

+ Zaleski: Europe and the US are the most mature snack food markets in the world. Other countries look towards the US and Europe for the newest trends in snack foods. Business for us in Europe and the US tends to be replacement production lines or new innovative production lines. Most snack food trends in the more mature markets are flat or slowly increasing. The need for new production lines is more prevalent in the growing economies around the world such as Asia and Africa. The European market is as important to us as the US market; this is why we are positioning more resources in sales and service with our sister company, Tromp, in the Netherlands.

+ Keil: Some weeks ago Imaforni was sold – no interest for Markel Food Group?

+ Zaleski: The Markel Food Group is often contacted about our interest in adding similar companies to our group through acquisition. We have a team that considers these options and gauges our interest. We want to be careful that we add complementary businesses to our portfolio and not overlapping businesses. We have seen in the past where companies add too many overlapping product lines and sales regions this causes them to close down parts and sell off others. We want the Markel Food Group to grow organically and add new technologies and processes to the group to better serve a worldwide customer base.

+ Keil: Thank you very much for the interview. +++