

CRAIN'S CHICAGO BUSINESS

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Is this deli-meat maker eating Oscar Mayer's lunch?

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H. LEE MURPHY 



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Kraft Heinz execs struggling to produce growth within the staid grocery products arena might want to steal a page from the playbook at Carl Buddig, a family-owned maker of delicatessen meats.

While Kraft Heinz has been selling off production plants—it closed its historic Oscar Mayer facility in Madison, Wis., two years ago and more recently took **a devastating \$15.4 billion writedown** on its Oscar Mayer and Kraft trademarks—Buddig has been investing in new businesses and production capacity. It's been quite a turnaround for a company known for bargain-priced deli meats—founded in the Chicago Union Stockyards neighborhood in 1943 but based now in Homewood—that had grown at a conservative pace for decades.

In a \$26 million deal two years ago, Buddig bought South Holland-based Rupaṛi Food Services out of bankruptcy, launching into a new line of barbecued ribs, reviving the business by striking a trademark deal with Clorox's Kingsford Charcoal brand. Last year Buddig bought a closed 300,000-square-foot Butterball turkey plant in west suburban Montgomery and hired 300 employees to produce private-label deli meats for Walmart, Aldi, Kroger and other grocers. Meanwhile, the company is now marketing nationally its Old Wisconsin line of sausages and snacks, based in Sheboygan, Wis., which was once confined to the upper Midwest.

In the past five years, Buddig's annual sales have jumped 80 percent to \$618 million. Headcount is up 70 percent to 2,400, and it now owns 11 plants, up from six in 2013. "For a long time we grew at the same pace as the rest of the meat industry, 2 to 4 percent a year," says Robert Buddig, the 62-year-old CEO and grandson of founder Carl Buddig, who manages the business with three brothers and a sister. "Private label has been growing very fast in supermarkets, and the big chains are finding that as a private company we can move very quickly to give them what they need."

EYE ON OSCAR MEYER

There is speculation around the meat industry that Kraft Heinz could be induced to sell off all or part of the faltering Oscar Mayer business. A Kraft spokesman did not respond to requests for comment, but Tom Buddig, 67, who oversees sales and marketing, confirms Buddig could be interested in parts of Kraft or Oscar Mayer.

In lunchmeat, Buddig is still a minor player among the national brands. According to a recent Nielsen report, Oscar Mayer is No. 1 in the category with a 26 percent share, followed by private label at 15 percent, Hillshire Farm at 10 percent, Land O'Frost (based in Munster, Ind.) at 7 percent, Hormel at 4 percent and Buddig at 3 percent. But Buddig is a contributor to the private-label niche, and so its total share is hard to measure.

In the barbecue side of the business, Bob Buddig says "we are still learning," but notes there are opportunities in that category as time-starved consumers pick up precooked Kingsford ribs for dinner on the way home from work.

"Buddig has had a lot of success with meat products, and their facilities have good smokers and experienced assembly lines," says Craig Goldwyn, a Brookfield-based meat and barbecue industry author who once worked as an adviser to Rupari. "Everything is there, including the packaging, for them to make a success of their barbecue business."

The family has had offers to sell out to rivals and private-equity investors, and even go public, but has kept control (a fourth generation of 13 family members is poised to enter upper-management ranks soon). "Keeping a company like this together through three and four generations these days is an extraordinary feat," says Seth Green, a Loyola University Chicago lecturer and director of the school's Baumhart Center for Social Enterprise & Responsibility.

Buddig competes against another family-owned firm, Fred Usinger in Milwaukee, a maker of sausages. Fritz Usinger, the fourth-generation president at 61, has been impressed by Buddig's expansion. "Buddig has been particularly effective in linking up with a well-known name like Kingsford and marketing a co-branded product," Usinger says. "It's an interesting concept, and they look to be good at it so far."

Inline Play

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