

# Baking & Snack

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## Pan-O-Gold

2008 Baker of the Year

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# Poised for Growth

In the truest sense of the word, Pan-O-Gold Baking is a survivor: This centenarian company has faced monumental challenges and emerged as a model of business philosophy and operational excellence.

BY STEVE BERNE AND L. JOSHUA SOSLAND

At every level, the baking industry has been buffeted by unprecedented change during the past generation. In the past decade alone, each of the nation's largest baking companies has endured wrenching change at the corporate level. At the regional level, the myriad of family-owned companies that formed the core of the baking industry during much of the 20th century largely disappeared over the past 25 years in a swell of consolidation.



**"You have to position your company to take advantage of opportunities. We've always been looking ahead while still managing to remain worried about today."** — Robin Alton

Against this backdrop, Pan-O-Gold Baking Co., St. Cloud, MN, stands as a rarity. After enduring extraordinary challenges in the 1960s and 1970s, the company redirected its product line in a way that has left the company well positioned. The company's forward-looking approach to issues as wide ranging as automation, health-and-wellness and sustainability have earned Pan-O-Gold the 2008 Baker of the Year award from *Baking & Snack* and *Milling & Baking News* magazines. The award reflects Pan-O-Gold's ability to establish itself as a leader in the markets it serves and highlights how the company has positioned itself for growth in the years ahead.

**DEFINING MOMENTS.** Howard R. (Robin) Alton III, the third generation to lead the company, said the changes Pan-O-Gold made in the 1970s that helped sustain the com-

pany emanated from a crisis endured a few years earlier.

While the company's roots date back 100 years, the Alton family acquired the business in the 1940s. Howard R. Alton Sr. was general manager and c.f.o. of Beede Baking Co. in Pipestone, a small town in western Minnesota. When the Beede family decided to move to California, Mr. Alton purchased the company, later renamed Pan-O-Gold.

After suffering a debilitating stroke in the 1950s, Mr. Alton was succeeded by his son, Howard R. Alton Jr. Within a few years, the company made a number of acquisitions and was a top ranking regional business operating five baking plants.

Intense competition in the baking industry created hardship for many regional bakers in the late 1960s and early 1970s, including Pan-O-Gold. The company's situation was compounded by a 1965 tornado that caused extensive damage to its north Minneapolis baking plant.

Robin Alton said competition in the Twin Cities was even worse than in the rest of the nation. "McDonald's Ray Kroc used to say, 'If your competitor is drowning, stick a hose in their mouth,'" Mr. Alton said. "That's what a major baker did to us after the tornado."

Pan-O-Gold eventually sued the competitor for predatory pricing. While Pan-O-Gold ultimately prevailed in the lawsuit, the proceedings dragged on to a point that the company was forced to seek Chapter 11 bankruptcy protection. It successfully emerged about one year later.

A turning point for the company was a period after the troubles of the early 1970s, when Pan-O-Gold began selling the Country Hearth line of variety bread introduced by Vincent Noce, president of Roush Products Co., Inc., Cedar Rapids, IA. Pan-O-Gold had enjoyed success marketing Hillbilly brand bread, another brand franchised by Roush, a leading producer of variety and specialty bread mixes and bases.

"Country Hearth was a natural line, and we conclud-



ed in the 1970s that it looked like the wave of the future,” Mr. Alton said. “We had been struggling in our attempts to market white bread, and our sales force was looking for something new for their routes. The tagline was, ‘It doesn’t have to be hard to taste great,’ a reference to how dense health breads generally were at the time. We went into softer variety bread, introducing seven varieties on a single day. Another unique aspect of the breads was their toppings, a practice that was rarely done by other bakers at the time.

“Country Hearth allowed us to position ourselves as the variety bread baker of the Midwest, a position we reinforced with television, radio and billboards,” Mr. Alton continued. “We put great effort into it, and it worked. It allowed us to ask for a little more money than we could charge for white bread. More importantly, it helped set us apart from other bakers.”

Although into the 1980s, the Pan-O-Gold road was not without bumps. In 1983, the company lost its largest customer, Country Club Market. Country Club operated 52 stores, and Pan-O-Gold baked the chain’s private label bread.

Like the bankruptcy several years earlier, the loss of the Country Club business led to a painful round of cost cutting at Pan-O-Gold. “It was one of those defining moments in our business. We lost a big piece of our business,

▲ Pan-O-Gold’s core management team includes (from left) Bob Gartland, vice-president of engineering and transportation; Jim Akervik, vice-chairman; Pete Rolfzen, senior vice-president and general manager; Howard R. (Robin) Alton III, c.e.o.; Daniel Cotton, vice-president and director of manufacturing; and Patricia Alton Baker, chief counsel. Not pictured here is Mark Ubl, vice-president of sales.

and our sales lost a good source of their income. However, it was also an opportunity, a reason, for our sales guys to develop new customers on the branded side,” Mr. Alton said. “It was a tough decision but turned out as one of the best things we ever did.”

Pan-O-Gold no longer relies heavily on any single customer. “We are fortunate that our largest customer represents only 6% of our business,” Mr. Alton said.

The growth of the Pan-O-Gold variety bread business was accompanied by expansion of its private label sales. Mr. Alton said Pan-O-Gold is the largest seller of private label bread in the markets it serves, which has given the company a leg up on its competition in the race for shelf space for branded bread. Company sales have grown from about \$25 million in 1990 to more than \$160 million last year.

**PRODUCT MIX.** Since the 1970s, Pan-O-Gold has reduced the proportion of white bread in its sales mix from 90% to 50%. The company’s line of variety bread has continued to evolve over the years, first in collaboration



▲ One sponge and two dough mixers stand ready to begin operations on the company's newest production line, a combo line for bread and buns.

with Mr. Noce and later with The Pillsbury Co. after it acquired Roush Products and then General Mills, Inc., which now owns the Country Hearth brand.

Thanks in large part to Country Hearth, Mr. Alton estimated Pan-O-Gold has the largest fresh bread and roll market share in the regions in which the company operates. Pan-O-Gold has exclusive rights to Country Hearth in most of its markets and created a mirror brand, Village Hearth, for markets in which it did not have the franchise rights for Country Hearth.

The most significant recent changes to the Pan-O-Gold product line have been the addition of more whole-wheat varieties. Mr. Alton said that for the company and for the industry, sales of whole-wheat bread have been growing at a double-digit pace.

Pan-O-Gold currently offers four 100% whole-wheat varieties, three of which are sold under the Country Hearth/Village Hearth brands. Mr. Alton said that the growth of whole grains has been principally from variety bread users rather than white bread consumers.

"People are shifting to whole wheat from lighter variety bread," he said. "We had the advantage of already being a trusted supplier of variety bread in our marketplace, so it was a very easy transition to whole grains at Pan-O-Gold."

Within the white bread category, Pan-O-Gold's top-selling products have been its Kid's Choice line, sold under the Country Hearth brand. First introduced more than 15 years ago, Mr. Alton said Kid's Choice is the best-selling white bread in the market. He said the strength of Kid's Choice, fortified with calcium and fiber, reflects a

different customer base than in other US markets.

"We have a more informed public, which plays into our hands because we are marketing better, more nutritious products," he said.

Among more recent initiatives Mr. Alton described as promising are varieties baked with organic flour and marketed under the New England brand. Currently, three varieties are offered in the organic line.

"Consumers are showing interest in bread that is harder and more nutritious," Mr. Alton said. "I believe more nutritious bread with higher fiber content and a lack of allergens will grow, as will organic."

**MARKET REACH.** Pan-O-Gold has expanded its geographic reach over the past few decades, and the construction of the company's newest plant at Sun Prairie, WI, indicates an interest in farther expansion. Sun Prairie is located at what was the southeastern tip of markets where Pan-O-Gold products were then sold.

"We are interested in smart growth, contiguous to our market area," Mr. Alton said. "In recent years, we added Illinois, southern and eastern Wisconsin and the Upper Peninsula of Michigan. We've enjoyed double-digit annual growth during the past five years."

"Our routes have increased from about 75 to more than 300 in my tenure with Pan-O-Gold," said Mark Ubl, vice-president of sales. Mr. Ubl, who began with the company in 1981, is a third-generation Pan-O-Gold employee. "Scheduling is an art at the company because we not only produce similar products at each plant, but we also produce products unique to each plant that are

then transported around for distribution.” Customer orders are generated seven days out with final revisions up to four days out.

**SURVIVAL SKILLS.** Its early embrace of variety bread notwithstanding, how does a company like Pan-O-Gold survive over the decades when so many other regional family businesses do not? While Mr. Alton didn’t offer any simple explanation for the company’s perseverance, he identified a number of principles the company follows that have certainly helped.

For example, the embrace of natural, value-added bread varieties reflects a determination to be forward looking while not too far forward. Like other baking executives, Mr.

Alton said he likes to be on the leading edge of change while avoiding the “bleeding edge.”

“You have to position your company to take advantage of opportunities,” he said. “We’ve always been looking ahead while still managing to remain worried about today. We’ve been lucky in that we have done more things right than wrong. Certainly, we have made mistakes, but I believe that in most cases you make your own luck. We have been fortunate to have great people with a single goal of success.”

“In the 25 years I’ve been here, we’ve never not had a spade in the ground,” he said. “We’re always finishing one project or starting another one.

“We are in the final stages of starting up a new bread/bun combo line here at St. Cloud as part of a \$25 million expansion,” he continued. “The final stumbling block is an oven permit. We are still working with State and Federal pollution control agencies to secure the required oven permits.”

Efficiency objectives were central to the design of the new plant at Sun Prairie, and Mr. Alton. “We had a supplier describe his equipment as 98% reliable,” he said. “That was not acceptable. We’re not willing to throw away two loaves of bread out of every 100 we bake. That is no way to eliminate labor. We insist on flexibility at the same time. That is evident with the new line that has to bake bread and buns at peak throughput and superior quality and consistency. It’s a trick for sure, but it is possible, and our suppliers have risen to the challenge. They even challenge us to think outside the box.”

This focus on automation led Pan-O-Gold to consolidate production through the years, closing a number of its plants. “We like to say that we grew the company from five baking plants to two,” Mr. Alton said. “And now we’ve grown to three with Sun Prairie.”



▲ Extra-wide radius turns on the new overhead racetrack cooling conveyors were necessary to accommodate the 40-in.-wide bread and bun pans of the combo line.

## Environmental Envy

A trend that Pan-O-Gold c.e.o. Robin Alton said plays into the company’s strengths is increased interest in sustainability and the “carbon footprint” of food products.

“We’ve been a leader in reducing waste for years and were one of the first companies of any kind recognized by the state of Minnesota for these efforts,” Mr. Alton said. “We have set up recycling systems that extend to all of our food waste, which is recycled into livestock feed.

“My goal is that every single thing that comes into our plants is to be used or recycled,” he continued. “I want nothing to go to landfills. Although this might be unattainable, it is constantly on our minds.”

Biofuels are used in much of the Pan-O-Gold truck fleet, and Mr. Alton suggested the company’s fleet is among the newest and most energy efficient in the industry with some of the lowest emissions.

“It has been my belief that we should be more environmentally friendly,” Mr. Alton said. “A portion of sales supports Nature Conservancy, and we have donated property to Minnesota for the nature habitat. We even pay an optional energy surcharge for wind power. This was always my father’s philosophy, and we have carried it on.”



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**TEAM PLAYERS.** The longevity of the management team says quite a lot about the business philosophy of Pan-O-Gold. Mr. Alton is only the fourth c.e.o. in the company's 102-year history. The 7-member core management team has a combined total of 300 years at the company. "That certainly brings continuity of mind and direction," Mr. Alton noted.

The company has a number of 30+ year employees, a significant achievement for a fresh operation with shifting schedules. "We've improved working conditions over the years, and production jobs have gotten better because of the advances we have made to the operations," Mr. Gartland said. "A lot of it has been in simple creature comforts as well as good wages and benefits."

On the engineering side, Mr. Gartland insists that each member of his team take the American Institute of Baking correspondence course. Mr. Cotton added, "We also send people to the AIB resident courses and all production supervisors in the bakery also must take the correspondence course."

Despite the growth of the company, employees feel a genuine family atmosphere. Every employee is sales minded, and that has translated into quality and efficiency from start to finish.

"This has been recognized through our AIB superior rating, as well as supplier-of-the-year award from Wendy's and Perishable Product Supplier of the Year for the fourth quarter of 2007 from Wal-Mart," Mr. Alton noted. "These are national-level awards." Criteria included minimal out-of-stock, minimal customer complaints, uninterrupted service and others.

**INTO THE HEARTH.** Current operations are divided between the three plants and the company's 1,100 employees. "Across the board, we believe in the sponge-and-dough method for our products and in conventional dividing for bread," Mr. Cotton noted.

At its flagship facility in St. Cloud, operations cover 186,000 sq ft and include three production lines feeding three packaging lines using 16 packaging machines. The plant counts on a Shick bulk ingredient handling system to feed each line. Flour is stored in five indoor silos: three with capacity of 168,000 lb and two at 160,000 lb.

# Pan-O-Gold



◀ Lakeland is one of several brands used by Pan-O-Gold Baking.

All flour travels through Great Western Manufacturing sifters on its way to production.

The bread line uses three APV mixers, one for sponge and two for final dough mixing. Sponge troughs go through initial fermentation in a semi-automated trough room. After final mixing, dough feeds into a Baker Perkins 413 dividing and rounding system. An AMF intermediate proofer helps the dough develop its open structure.

Two Stickelber crossgrain moulders form bread loaves, which are deposited into 5-strap pans. The line uses an APV Templex proofer that feeds directly into the APV 970 oven. For sandwich loaves, a Stewart automated lid stacking and unstacking system is employed.

Baked loaves are depanned and cooled on a Stewart conveyerized monoflex cooler, then transferred via Turkington APV conveyors to packaging. A series of five AMF Mark 75 combination systems slice and bag the loaves, which are then closed using a Burford twist tier and loaded in bread baskets and stacked using Turkington pattern formers and loaders then moved to shipping.

“This line outputs up to 150 loaves per minute, and we have automated wherever feasible with a proven return,” Mr. Cotton said. “This is an old building dating back to 1917, and we have expanded numerous times so it does not have optimum product flow. But automated processes have really helped maximize efficiency.” The line has 10 pan sets, and scheduling is critical.

The bun line uses 13 pan sets and runs at 800 pieces per minute using one APV sponge mixer and one APV final mixer. Dough gets divided, rounded and panned by two AMF Pan-O-Mat systems before final proofing in an APV Templex 28-rack, 10-shelf proofer.

Both bread and bun lines use lap



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# Pan O Gold.



◀ Baked and depanned buns ascend back along the length of the oven to suspended racetrack cooling conveyors.

ovens because of limited space. After baking about eight minutes, buns are depanned, cooled and sliced, then sent to either AMF bulk bun packers for food service items or to UBE auto-loader bun packers for retail products.

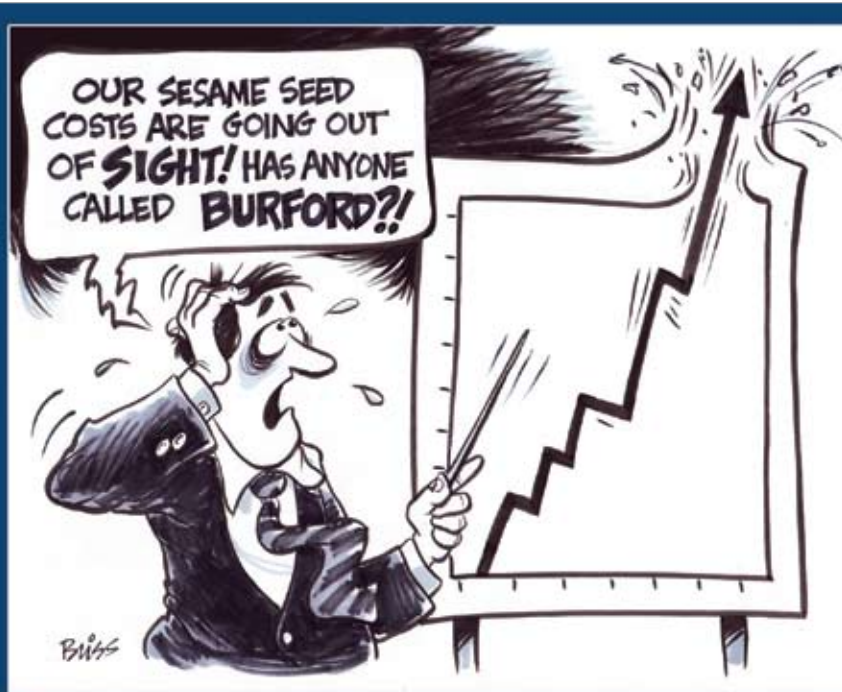
The latest and greatest addition to the St. Cloud plant is its \$25 million, 100,000-sq-ft expansion that houses its newest production line. "It's a combo line that will produce bread or buns," Mr. Cotton noted. The word "will" was used because, as of press time, the plant was still awaiting the oven's final air permit. "We're just waiting for the final OK from the State," Mr. Alton noted. "Then it is full steam ahead as the busy season approaches."

The line is capable of producing 150 loaves of bread or 100 12-count bun clusters per minute. This line is equipped with three Peerless tilt-bowl mixers — one sponge and two final dough mixer. Equipment available on this line, depending on final product, includes two FMC dough chunkers, a Peerless divider/rounder, a Turkington APV intermediate proofer, two APV crossgrain moulders and two AMF Pan-O-Mats. Stewart Systems supplied the conveyORIZED final proofer and oven.

"One unique aspect of this line is its extra-wide pan capability," Mr. Cotton said. "We maximized space and output by going with a 40-in.-wide pan."

The Turkington APV 1200 "N-less" cooler feeds packing lines equipped with either four UBE autoloader or four AMF slicer/baggers and Burford twist tiers, depending on production.

**NORTH AND EAST.** The Fargo facility occupies 57,000 sq ft and outputs bread, buns, donuts and English muffins. The plant expanded about 10 years ago and modernized with a combo line. Similar to the plant in St. Cloud, operations rely on Shick



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# Burford

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▶ Sequentially timed troughs of bread dough wait their turn for final mixing. Looking on are (from left) Robin Alton, Dan Cotton and Bob Gartland.

ingredient handling systems and a mix of AMF, APV and Peerless makeup equipment. Additionally, it uses a Baker Perkins intermediate proofer and a Stickelber moulder for its bread items.

Pan-O-Gold's newest facility at Sun Prairie is similar in size to St. Cloud. The 180,000-sq-ft greenfield plant was completed in 2000 with one bread/bun combination line. A 1,000-bun-per-minute line was added two years later. "The plant still has space to expand both internally and in acreage," Mr. Gartland noted. There is already informal discussion on further expansion at the location.

Building a greenfield plant, the company had the luxury of designing the facility with the most efficient layout of process flow. Its 165-loaves-per-minute bread line uses equipment similar to the other two plants but the company installed an I.J. White spiral intermediate proofer to conserve space and maximize capacity.

The bun line relies on similar AMF KRD extrusion dividers as do the other plants. A full APV conveyORIZED proofer and oven as well as depanner and cooler prepare



the buns for packaging.

"We're very proud of all three plants," Mr. Alton said. "Our management team and our employees have put their hearts and souls into designing, equipping and operating these facilities. Using top-rate reliable equipment, providing our employees with a pleasant place to work and producing the absolute best product in the market: This is what we do. We don't know any other way." ■

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