

Cheese Merchants Boost Services To Supply Growth In Hard Italian Cheese Category

Adds 100-Million Pound Aging Facility, Conversion Offerings; Celebrates 25th Year

West Chicago, IL—Cheese Merchants has capitalized on the growth of private label in the hard Italian cheese market and has recently strengthened its conversion services to include a 100-million-pound aging facility.

Entering its 25th year, the company has rather humble beginnings, yet has grown to be one of the top converters of hard Italian cheese in the US.

Pasquale Greco immigrated to the US in the 1950s. He had a number of jobs that included making sausage, selling cheese, and working in a deli before he and his son, Eddie, successfully launched Greco and Sons in 1990.

“Greco and Sons was selling a lot of imported cheeses,” said Bob Greco, president of Cheese Merchants. “Then Dad bought a cheese grater and began converting imported Parmesan and Pecorina Romano eventually becoming a significant part of the business through distribution channels.”

In March of 1998, the family split the distribution and grating businesses, with the conversion side becoming Cheese Merchants of America. Bob Greco became the first general manager under the tutelage of his father, Pasquale.

“We were small and had seven employees at the time, but we had good relationships with both distributors and manufacturers; built on the reputation of quality,” Greco said. “Based on that reputation, we were able to leverage some of those relationships with our grating services.”

The domestic cheese industry had just a few hard Italian cheese manufacturers when Cheese Merchants first started, Greco recalled.

“There were regional cheese makers here and there. Not many.

There were a few national players,” Greco said.

With little domestic product available, and demand from customers growing, the company needed to import 90 to 95 percent of their cheese from South America, Australia, and Italy.

“That was the hard Italian business in the 1990s. The gold standard 25 years ago was Argentina,” Greco said. “If there were domestic producers they were small, couldn’t handle the volume, or didn’t want to max out.”

To grow their business, Cheese Merchants knew their objectives could not be reached strictly with imported cheese.

“We still import a lot of cheese,” Greco said. “They make outstanding products. But it’s changed domestically. Some of the best hard Italian cheese in the world is now made here.”

Greco said that a growth of a domestic market was badly needed.

“When we started growing at scale, we couldn’t trust some of these countries. If they had better opportunities elsewhere, they might take those and leave you high and dry. It’s much easier to control your supply domestically because you’re not worried about consistency in quality and consistency in supply.”

Cheese Merchants is currently buying hard Italian cheese from about nine or 10 plants in the US based on their specifications.

“For some of these plants here in the US, hard Italian cheese is now their growth vehicle,” Greco said. “In some plants, we are their largest customers.”

Suppliers to Cheese Merchants, Greco said, are aligned with Cheese Merchants’ demand for quality.

In 2021, Cheese Merchants

formed a strategic partnership with Eau Galle Cheese in Durand, WI.

Steve Bechel, a Master Cheesemaker certified in making Parmesan and Romano, agreed to stay on as a partner and continues to make award-winning cheese including Asiago for Cheese Merchants.

“Eau Galle continues to make world-class cheese,” Greco said. “With a few other CapEx projects, we will be able to deliver 100 percent of the cheese wheels needed at Cheese Merchants.”

Parmesan, at 72 percent, makes up the largest portion of Cheese Merchants’ inventory while Asiago, Romano, and Fontina make up the remaining portion.

“Most of the companies we work with are like-minded partners,” Greco said. “It starts with quality.”

Within quality, you’ll find good management with clear objectives, clean facilities, and a good workforce, Greco said.

“Most of the companies we like to work with or acquire have similar growth plans,” Greco said. “Because the category continues to grow, and we want and will continue to grow, we will look at more strategic acquisitions within our business disciplines.”

According to USDA, in 1998 when Cheese Merchants started, domestic production of Parmesan was 129 million pounds. Preliminary USDA figures for 2021 shows that Parmesan will smash production records for the category with a total of approximately 487 million pounds.

In December 2021 and in January 2022, Parmesan production topped 47 million pounds, the first time that’s ever happened.

Could domestic Parmesan production be on pace to reach over 550 million pounds in 2022?

“We are counting on it, Greco said. “We’ve grown significantly over the past 25 years. We like the conversion business, we like the hard Italian business, we see continued growth in it.”

“You’re seeing an explosion of hard Italian cheese growth in all segments, retail, foodservice, and home meal replacement. As these segments flourish, I believe we are well-positioned and able to serve all our customers’ needs.”

Greco thinks Cheese Merchants has about 30 percent of the category.

“I’m not sure the exact numbers, but we are a healthy player,” he said. “We are proud of that accomplishment. 30 percent is a lot. We are growing at a larger percentage

than the market does annually, we will continue to grow, and make that our number one goal,” Greco said.

Private Label

Jim Smart is the executive vice president of Cheese Merchants. He came to the company in 1999 with the direction to grow the business.

“We made a strategic decision early on and we bet on private label becoming a huge thing,” Smart said. “Not only because it was expensive to build a brand, but because that’s where national distributors were heading and, frankly, we were really good at private labeling.”

Smart described that the popular thing for food distributors to do at that time was

for them to have their own brand of Parmesan.

“Distributors were private labeling everything, tomatoes, sauces, oils, you name it,” Smart said. “Cheese was a natural add-on in the Italian food sector. We private labeled for many businesses and that gave us a huge foot-in-the-door.”

In nearby Bartlett, IL, Cheese Merchants’ conversion plant processes 170 million pounds of hard Italian cheese a year.

“You’re seeing an explosion of hard Italian cheese growth in all segments, retail, foodservice, and home meal replacement. As these segments flourish, I believe we are well-positioned and able to serve all our customers’ needs.”

— Bob Greco,
Cheese Merchants

Smart said about 60 percent of that production goes into the foodservice industry, while 20 percent goes into the food ingredient market and the other 20 percent serves the retail marketplace.

While Greco expects all of the segments to continue growing, he’s highest on retail.

“Retail is going to continue to grow and grow the fastest,” Greco said. “The grocery stores have gotten bigger and smarter. They want their label to be the legacy brand. We’re in there with private label. That’s our cheese.”

Smart said the shelf-stable market has provided a tremendous growth platform.

“If you go back to 2008, when we first began drying, there really was no dominant player investing in this space. So we did, and it has

• See **Cheese Merchants**, p. 9



Jim Smart (left) and Bob Greco of Cheese Merchants have been working together since 1999 to make Cheese Merchants one of the largest converters of hard Italian cheese. The company converts nearly 180 million pounds of Parmesan, Asiago, Romano and Fontina a year.

Cheese Merchants

Continued from p. 8

allowed us to diversify our product categories and expand our customer base," Smart said.

Aging Facility Centralizes Product

In July of 2021, Cheese Merchants opened a new 300,000-square-foot aging warehouse that houses 100 million pounds in three fireproof aging coolers.

The new facility, with 54 docks and 125,000-square-foot finish-good cooler space, will also serve as the new shipping hub and allow the Bartlett conversion facility to expand upon its services.

To fill the new aging warehouse, Cheese Merchants took all of their cheese being stored in eight Wisconsin and a New Jersey cold storage facility and moved all of that product to West Chicago, IL.

Taking 100 million pounds of cheese out of those cold storages didn't sit too well for some companies, Greco admitted.

"Let me be fair. They all do a tremendous job. As an industry, we are lucky to have them. But we recognized an efficiency problem. We age 100 million pounds of cheese. 100 million," Greco repeated. "Outside warehousing that much cheese was a tremendous expense. We eliminated that, we gained more control of the process, we've centralized our shipping, and it allowed us to expand our conversion services in Bartlett."

He said Cheese Merchants was pulling 60 to 70 loads of cheese a week from the nine cold storages.

"Our cheese suppliers are now shipping to one centralized area and we now have a better idea where our cheese is," Greco said. "This is unique. We are the only player in this category who is aging, converting, labeling, and shipping our cheese. We control the entire process."

Moving the shipping out of the conversion plant in Bartlett frees up space to expand the company's conversion services.

"We are adding retail cup and shaker lines which have seen over double-digit growth in foodservice recently," Greco said. "Moving our shipping services out of there freed up a lot of space."

To fill a great part of that newly adjusted space will be the addition of a plant-based process room.

"The one thing we pride ourselves in doing, is we keep reinvesting," Greco said. "Most other conversion companies don't or can't touch plant-based because you have to segregate the product and it can't come across any allergens. This will be a unique room built specifically for plant-based. It's not going to see a piece of cheese."

In 2021, Cheese Merchants invested in Holman Cheese, a

plant-based, process cheese business located in Holmen, WI.

"We believe in Holmen Cheese as a long-term strategy," Greco said. "The plant-based industry has a lot of upside. We are excited for the many different facets this space will offer us as it grows."

One-Stop-Shop Conversion Facility, Countless Services

"Our goal is to be a one-stop-shop. And that's how we built and designed this plant," said Greco with a noticeable, and deservedly so, sense of pride in the operation.

The conversion plant features nine high-speed grating and shredding lines, two high-speed cup fillers, four cheese-canister lines, and 22 state-of-the-art cheese dryers.

The company purchases all new equipment, said Rob Arko, plant manager of Cheese Merchants' Bartlett conversion operation.

"That's the thing about these guys," Arko said. "They don't spare any expense. They're not afraid to put money back into the business. That makes my job fun."

A lot of the facility was designed to create efficiencies, adding automation wherever possible.

Greco said he thinks Cheese Merchants may be the only facility in this category with as many services and by automating, allows employees to be more versatile.

"We grate, shred, and shave, we have three cup lines, multiple shaker lines, exact weight wedging, we black wax wheels, and also dry our own cheese," Greco said. "So we have to be nimble, focused, and as efficient as possible whenever possible."

About four years ago we started feeling the labor crunch, Greco said. Marchant Schmidt with its converting lines and Haden & Custance LTD, with its deboxing equipment, helped us do some things on the front end and some on the back that saved us through tough labor shortages.

Most of the converting equipment was manufactured, designed and/or integrated by Marchant Schmidt, Fond du Lac, WI.

"Marchant Schmidt does a lot of work for us," Greco said. "They make great equipment, you might pay a little more but it lasts, it's efficient; the way it conveys and integrates throughout the process is outstanding. We ask a lot of them and they usually come through. And the Parmesan barrel cutter is one of a kind."

Cheese Merchants has a new and unique barrel cutter collaboratively designed by Rob Arko and Marchant Schmidt.

"We have to get as much cheese out of our barrels as we can, Arko said. "We thought if we could eliminate some of the surface cutting area on the barrel, we could increase our yield."

"Cheese Merchants challenged us to come up with a better solu-



Cheese Merchants opened this 300,000 square-foot aging warehouse in West Chicago, IL, in July 2021. The facility is the company's shipping hub and centralizes 100,000,000 pounds of US and imported Parmesan and similar hard Italian cheese, prior to conversion.

tion to their hard-cheese cutting needs," said Rick Schmidt, president of Marchant Schmidt. "We worked closely with Rob and Cheese Merchants and through that collaboration, we were able to develop a high capacity system that had no product loss."

The barrel cutter also includes servo-controlled cutting, wire break detection, and is ergonomically friendly to the operator.

"We ask a lot from Marchant Schmidt," Arko said. "They are a good company to work with."

"We have developed a great partnership over the past several years," Schmidt said. "They are a great company to work for. Thanks in part to their rapid growth, we've been fortunate to work with them to develop innovative solutions that focus on improving line efficiency and optimization."

Future of Cheese Merchants

Greco predicts consolidation will continue in the hard Italian cheese business.

"Most of the products will be made stateside by fewer companies," Greco said. "We like our position in the Midwest and having the conversion plants and the aging facility will suit our continued growth. We like our space."

With the Eau Galle partnership and the investment in Holmen Cheese, Greco said the company continues to take significant steps to ensure quality and growth opportunities continue to exist.

Cheese Merchants has several other growth strategies in the process including vertically integrating more of the business that will position the company well for generations to come.

"You have already seen it with our aging warehouse, our partnerships, and investments," Greco said. "We'll have more of those multiple integrations coming along. That's where the company sees growth."

Greco and Smart say that may include ownership in some more cheese plants but they mostly want to stay in their lane.

"We are a privately-held company," Greco said. "I'm generation two, we have generation three coming up. We keep building for generation four and five. We can get there. That's our goal. We have great, quality partnerships based on trust, with both our buyers and our suppliers. We like to work. We work hard. That's the Pasquale Greco model."

For more information, visit www.cheesemerchants.com.

Food Processing

Corrosion-Proof Wall and Ceiling Panels

Poly Board® Panels

Available with
**Antimicrobial
Agent**

- Sanitary - Easy to Clean
- Smooth - Non-porous
- Perfect for Incidental Food Contact
- Water-Proof - Highly Reflective
- High-Gloss - Bright White
- Will Not Rot, Rust, Mildew, or Corrode
- Quick Installation with Custom Lengths
- Available in 12", 16", and 24" Widths
- No Exposed Fasteners
- Class A for Smoke and Flame
- USDA and CFIA Accepted
- Made in the U.S.A.

Suspended Ceiling Panels and Doors also Available

View our web site to learn more about all our products.

Manufacturing American-Made Panels for 28 Years!

Interlocking Liner Panels

Available in 12", 16", and 24" widths

20 YEAR
WARRANTY
EXTRUTECH
PLASTICS, INC.

888-818-0118

www.epiplastics.com info@epiplastics.com

EXTRUTECH PLASTICS, INC.

For more information, visit www.epiplastics.com