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H&S Bakery Inc.

Always Thinking Fresh

Produced by Isabel Rey & Written by Jeanee Dudley

The story behind H&S Bakery Inc. (H&S) is the epitome of the classic American Dream. The Paterakis family and the Tsakalos family emigrated separately from Greece to the United States in the early 1920s, seeking a better life for the next generation. A few decades later, two of the families' children met and married. The union between Harry Tsakalos and Liberty Paterakis sparked an idea for a business between Harry and his father-in-law, Isadore (Steve) Paterakis, and they opened the doors of their first bakery in 1943, naming it using their first initials.

In the early days, Harry and Steve produced handmade Italian-style bread baked in a brick, flat-hearth oven in a shop in Baltimore, Md. The company incorporated in 1962 and is still in the family, but the operation has grown immensely from its first Athens Automatic Rolls plant. The Paterakis and Tsakalos family members still manage H&S, relying on leading technology to improve productivity and food safety while introducing innovative, customized fresh and frozen private-label programs for European specialty bread products.

The bakery, its divisions and associated businesses produce a broad variety of hearth-baked breads, rolls, bagels, English muffins and more for foodservice, retailers and restaurants clients throughout 23 states. The company still keeps its corporate office in Baltimore, operates an outlet store in the Fells Point neighborhood just across from the primary bakery, and maintains an additional 14 divisions in seven states. H&S employees more than 2,000 in total, and maintains a fleet of 400 delivery vans and more than 200 tractor-trailers to deliver fresh daily the traditional European flavor and crust



that has made the company a leader in the specialty bread category.

All in the Family

The H&S family includes diversified divisions that manage accounts for a variety of customers. For example, H&S Bakery provides artisan, Old World-inspired European hearth-baked varieties to retail, hotels, schools and restaurants; the company's retail arm, Schmidt Baking Company, handles direct service delivery (DSD) of traditional sponge breads and rolls to retail supermarkets, foodservice and schools/universities; and Northeast Foods Inc. specializes in English muffins and soft sandwich rolls for multichain, fast-casual clients, such as McDonald's. Additional associated facilities handle reduced-calorie options, cluster hot dog and hamburger rolls, and bagels, among other selections. Accounts can intermingle across divisions, to assure there is no delay in production or delivery to a client in need.

JR Paterakis, senior vice president of marketing and sales at H&S, his brothers and extended relatives run all of these divisions, which are based around the Eastern Seaboard. "Bill Paterakis is president of Northeast Foods," says JR. "Steve Paterakis is president of Schmidt Baking Company, and Chuck Paterakis, senior vice president, handles transportation and distribution for all of our bakeries. Our cousin, Nick Tsakalos, oversees H&S Bakery Production, and my father John Paterakis is chairman of the board and very active in day-to-day activities. JR and his brothers grew up in the family business and started working full time with his dad after college.

"I've been here since I was 8," he says. "My brothers and I would all come in on the weekends when the other kids were out on the field playing sports. It was a small hands-on business back then." Growing up in the family company has given JR, his siblings and cousins insight into the value of hard work and commitment.

H&S will celebrate 70 years in business in 2013. The company's team chalks the H&S longevity up to family values: hard work, dedication to community and pride of

achievement make up the foundation of H&S. These same values are the ones the Tsakalos and Paterakis families founded their business on so long ago, and the family is already passing these principles down to the next generation of bakers. "My brothers and I are the third generation, our children being the fourth generation," explains JR.

Reaching a Diverse Market

A devoted and innovative staff enforces the guiding principles of H&S. The family is constantly working together to reach out to new markets with better products and processes; decisions are made quickly, allowing immediate consumer use.

"What really makes us stand out is our unlimited variety of products, plus the flexibility of our manufacturing facilities to be able to produce common items when needed," explains JR. "We collaborate well, not only with our foodservice retail customers, but also with other businesses, like co-packers and other bakers. We're a private-label supplier for a lot of businesses because we are a low-cost producer. We have a unique system of production that other companies just don't

Senior Management Positions

**Are you passionate, dedicated, hard-working? Do you thrive in challenging situations?
Are you a leader?**

**If so, Northeast Foods, H&S Bakery and Schmidt Baking Company
would be interested in receiving your resume.**

**We are the market leader in the Northeast and Mid Atlantic regions,
specializing in manufacturing and delivering Fresh and Frozen bread products for Private Label, R&I,
Casual and Multi-Unit Food Service Operators.**

**Resumes in senior corporate management positions-Private Label and DSD sales, Production, Transportation, Shipping, Sanitation, Operations, Human Resources, Accounting and other departments- are being
accepted.**

**If interested, please submit your resume to:
Gay Wagner c/o Northeast Foods 601 South Caroline Street, Baltimore, MD 21231**

Relocation to the Baltimore metropolitan region would be required.



have. Our vision is targeted to our customers' needs always."

The company has its challenges like any other. "Commodities prices are significantly affecting the pricing and costs of goods," explains JR. Harsh weather patterns have diminished the availability of many of the raw materials on which H&S relies. Climate and demand changes have affected growing and harvesting patterns for wheat, corn, raisins and sugar among others. Shortages have led to a sharp increase in costs of all.

Additionally, fuel costs are on the rise annually. "We use natural gas propane and diesel fuel for our manufacturing facilities and distribution," explains JR. "Our customers get to a point where they can only absorb so many price increases to compensate the unprecedented volatile market."

H&S is turning to green solutions to help reduce costs and benefit the environment. "We have risen to the challenges of sustainability," says JR. "But we've taken it to a positive place. Our company leadership took to developing a sustainability initiative that has helped us keep our costs down significantly. By changing the way we use electricity and natural gas, we've been able to maintain a higher speed and efficiency in our plant operations.

"We believe business leaders should be environmental leaders, too," continues JR. "That's why H&S Bakery adopted a social responsibility and environmental policy that has led to some dramatic changes to the way we work, and the way we use the earth's resources. Some of the key goals of our green initiatives and our accomplishments so far include the following:

"Reducing waste, so we changed our packaging of English muffins for McDonald's; the result is we eliminated 17,000 pounds of plastic going to landfills. Conserving electricity in ways such as automatically shutting off the tray washer when not in use; the result is we saved 65,000 kilowatt hours of electricity annually. Improving air quality by upgrading our trucking fleet; the result is we reduced our carbon footprint 200-plus tons annually. Conserving water by installing water meters on our cream yeast systems; the result is we saved 27,000 gallons of water annually at each bakery. Also,

conserving gas, so we installed a new gas meter on our bun oven; the result is we saved nearly 850 tons of greenhouse gas emissions."

H&S is now shifting focus to new products initiatives that offer ahead-of-the-curve advances for the company's customers. "We developed a superior product to what the government requires for school food programs," says JR. "Instead of the mandated 51-percent whole grain requirement, we went to the next step making bread and rolls that are 100-percent whole grain. There has been an overwhelming response, which opened up doors for the company to work more with government agencies."



H&S introduces new products once every quarter, and has been recognized throughout the Northeast for its innovation. The team works collaboratively with clients to offer new baked products that suit the changing needs of consumers. The company has worked as a copacker to develop specialized products for companies such as McDonald's,

ShopRite, PathMark, Wegmans, Sysco, U.S. Foodservice, Trader Joe's and Whole Foods Markets, among other retail and foodservice distribution giants. Newer products include all natural whole-grain English muffins and several lines of artisan, organic and whole-grain breads.

"We're always thinking outside the box," says JR. "Being a family organization, we can make quicker decisions, not only to meet consumer demand, but also to help spark the next trending market insight. "We're constantly looking at different metrics to make our customers happy and come up with new products," JR continues. "Just because you've already introduced a product doesn't mean you can't tweak it. The tweaking is what keeps us competitive. We create a benchmark through automation, sustainability initiatives, service distribution and advance product development."

H&S Bakery Inc. continues to grow through a process of developing customer satisfaction balanced with continual reinvention, and this practice does not stop with the current generation. •