

Inside billionaire Joe Grendys' chicken empire



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Joe Grendys, CEO of Koch Foods, is the 281st richest person in America. (Phil Velasquez, Chicago Tribune)

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Billionaire **Joe Grendys** has no clue how Forbes found him.

After all, he lives in the same Chicago bungalow where he grew up.

His business, Park Ridge-based chicken processor Koch Foods (pronounced "cook"), has been on the magazine's list of largest privately held companies for several years running. So someone at the magazine figured out that Grendys owns almost all of it, pegging his net worth at \$2.3 billion and ranking him No. 261 on Forbes list of 400 richest Americans.

Koch Foods, which is not affiliated with Kansas-based Koch Industries, leases its first floor offices in a nondescript office building near O'Hare International Airport. The reception area is lined with flags from the six states where Koch operates plants and a small trophy case filled mostly with small plaques. One reads: "Poultry Man of the Year."

In sum, the "headquarters" of one of the largest food businesses in the country is about as dull as a church fellowship hall.

Its conference room has two wooden bookshelves lined with Koch products, most of which don't say Koch anywhere on them. For instance, Koch processes Wal-Mart's "Great Value" buffalo wings, chicken strips, chicken tenders and popcorn chicken, but a consumer would never know it.

Koch also supplies the chicken nuggets at Burger King and other private-label brands at grocery stores, such as Kroger and Aldi.

"I want to acquire more" companies, Grendys said. "I definitely have our hook in the water, but right now the industry is performing well. So there aren't a lot of fish biting. But I could see us branching out in the next three to five years possibly into another protein; not sure what that protein would be yet."

Koch doesn't publish anything about its sales, but according to Grendys and his top two executives, Chief Financial Officer **Lance Buckert** and Chief Operating Officer **Mark Kaminsky**:

- Koch processes more than 50 million pounds of ready-to-cook chicken per week.
- The company slaughters more than 12 million chickens per week.
- And it contracts with 4,800 to 5,000 chicken farmers at any given time.

Yet, the three men don't think of themselves as running a chicken company.

They're in the business of converting corn and soybeans into meat protein, they explain. And what scares them most are sudden increases in the prices of corn and soybean, which can cost them millions of dollars a day.

"Back in 2012, there was a big drought," Buckert said. "Corn, I want to say, it had moved about \$2 higher in probably four weeks, and it made a huge impact into the swing of our profitability. It hadn't rained in a long time, and we had just come off a major acquisition. And Joe says, 'What are we going to do if corn goes to \$10?' And I said, 'Well, I know what I'm going to do. I'm going to go back (to Southern Illinois) and start farming with my dad.' He just busted out laughing."

Buckert said Koch needs 1.5 million bushels of corn and 14,000 tons of soybean meal per week to feed its chickens.

"To put it in perspective, 1.5 million bushels of corn, there are a thousand bushels on a semi-truck load, so we would use 1,500 of those trucks a week," he added. "This is where the scale of the business gets really big."

Buckert had to grab his calculator to explain why the company doesn't grow its own feed. After punching in a few numbers, he concluded Koch would need to own 1 million acres of corn to feed its chickens. And land in Central Illinois is going for \$10,000 an acre, Buckert said. So \$10 billion would be needed for land purchases alone.

"You'd need lots and lots of money" to control the whole supply chain, Buckert explained.

Fred Koch started Koch Meat Co. in 1973, supplying chicken to Chicago area restaurants. It remained a small, family-run company with a one-room deboning operation until 1984, when Grendys graduated from Loyola University and joined the business full-time.

"I'd do everything but the deboning," Grendys said.

He was lured with an offer of 50 percent equity and, in his first year, he did \$400,000 in sales with four employees, including him and Koch. Grendys bought out Koch's interest in the company in 1992, eight years after college graduation.

Grendys, whose grandparents emigrated from Poland, began working for Koch while a student at Holy Cross High School in River Grove.

"My dad was a butcher by trade, but he was in the wholesale meat business and the retail meat business," Grendys said. "Mr. Koch was a customer of my dad's in the wholesale meat business."

The company made its first acquisition, of Aspen Foods in the Fulton Market area, in 1995 and continued buying competitors.

"We produce eggs," Grendys said. "We take the eggs to our hatcheries. We hatch the baby chickens and, at 1 day old, we take them out to contract farmers, and the contract farmers provide the husbandry to grow those chickens to the size we need for a particular facility for a particular product."

He said he worries about food safety all of the time. One way he minimizes risk is by only growing and processing chickens in the United States and exporting frozen products globally.

"I'm not going to say never, but I don't think I would process outside of the United States in the current situation," he said. "There have been a lot of challenges with different industries in China. It hasn't just been the food industry. And you wonder, if these big corporations, if these multinationals, can't keep it straight, how am I going to do it? I don't want to be bigger than I think I can handle."

And then there is the issue of labor. Koch's Fairfield, Ohio, plant was raided by U.S. immigration agents in 2007; 161 people living in the country illegally were arrested. According to Ohio news reports, Koch paid a \$536,046 fine for violating immigration laws in February 2010. Grendys said that, under the terms of the settlement, he could not comment on the case.

Employee turnover is a persistent problem for Koch and the industry.

"Labor is becoming more and more of a challenge," Grendys said. "The industry needs to constantly look at ways to reinvent itself, to automate more and more and more," he said.

I asked him to tell me something he wanted that he wasn't able to buy. I meant it as a question about his personal fulfillment and happiness — but he replied that he wanted to buy more chicken businesses and lamented that they're too expensive.

"The value is in the business," he said. "Yeah, I have some liquidity. I'm not going to say I don't. But the value is in the continued growth and success of Koch Foods. If Koch Foods becomes nonvaluable, well, you know what happens."

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