



BY DAVID KOSUB • PHOTOS BY PERRY ZAVITZ

# Fine and Dan-D!

West Coast dry-foods processor Dan-D-Foods uses sound packaging machinery and techniques to steer through domestic and offshore expansion

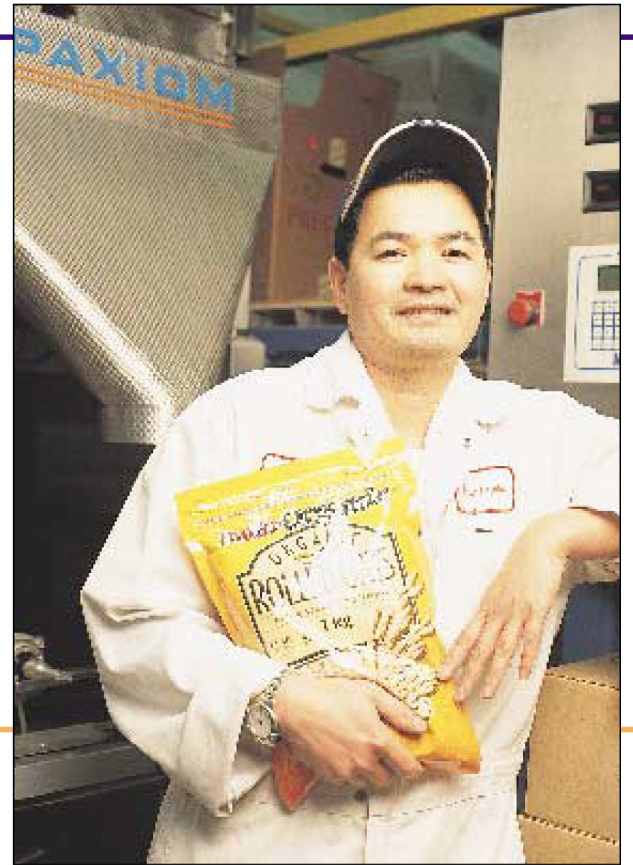
Living through the growing pains of the packaged foods business is not for the faint of heart or the easily discouraged. Dan On is neither, which greatly helped him steer his wholesale business—specializing in packaged peas, beans and dried fruits—through a touch-and-go expansion a dozen or so years ago.

In 1990, On had his mind firmly made up. If his business was going to survive, he would have to move it from its cramped 3,800-square-foot warehouse, near Vancouver's Chinatown, to a larger 13,000-square-foot warehouse he had picked out on Main Street.

In making his case to two Canadian lenders for additional capital, On stressed that as long as his staff continued to do all the packing operations by hand, the



Production manager Vinh Le (right) with the company's popular Dan-D-Organic Rolling Oats package. After emerging from the roaster, the final product is bagged in large bags and cased for bulk distribution (left), or packaged into smaller-sized bags bound for the retail outlets (below). Growing market demand for natural foods has prompted rapid expansion by the company.



more pleased by his original decision to automate the packaging process.

In fact, business has been so good that Dan-D-Foods Ltd. has since expanded twice more: including a 1999 move to a 67,000-square-foot facility just outside of Vancouver in Richmond, B.C. and—more exotically—in On's native Vietnam.

In addition to the Weighpak Multi-trix form-fill and Weighpak Multi-trix ziplock packaging machines, the Richmond plant features a formidable production machinery arsenal, which also includes a Pitco MasterMatic roaster, a Commander Pacer filling machine, and the Warp Woop automatic weighing machine manufactured by the nearby, Vancouver-based Japak Industries Inc.

But for all that investment, On says he still needed to reach out beyond the geographical confines of the Vancouver region to keep the expansion moving at the right pace. For various sentimental

and business reasons, Vietnam beckoned.

"We have had a rapid growth rate of 25 to 35 per cent every year," On explains. "It came to a point where a 67,000-square-foot plant could no longer cater to what we needed to do.

"The next expansion had to be out of the country."

The Vietnam expansion entailed the building of an 18,000-square-foot food-processing plant at a site about 43 kilometers east of Ho Chi Minh City.

The plant's staff is made up of about 130 employees who daily grade and roast about 4,000 kilograms of locally-grown cashew kernels in three roasting machines. A four-channel packaging machine at the facility packages one-pound bags of cashews at rates of 26 to 30 bags per minute, while the company's fifth machine, a CVP model vacuum packager, produces bulk 25-kilo bags of cashews.

The customer base for both the Vietnam and Richmond plants is largely comprised of independent grocery chains, like Thrifty Foods in British Columbia, and the smaller independent grocery stores in Canada and the U.S.

Branded under the Dan-D-Bulk product lines, which account for the lion's share of the company's revenues, 25-kg bags of processed cashews and various fruit-and-nut mixes find their way into bulk bins in large supermarkets and specialty stores. Once there, says On, store managers will often break the bags down into smaller, more manageable packages.

"They can put it in a clear plastic bag with a twist-tie, or they might do a very fancy label for a gourmet-type cashew," he says. "Sometimes they'll season them with Cajun or onion/garlic flavor or hickory smoke, so it becomes their own product.

"But the main ingredient, the cashew, comes bulk from us."

Meanwhile, On points out that his retail business also continues to grow nicely. Many retailers are beginning to favor the company's Dan-D-Pak and Dan-D-Organic product

business could not grow. On pitched an ambitious plan that envisioned acquisition of faster and more efficient high-speed packaging machinery to distribute a broader and more diverse range of dry foods—such as roasted cashews, washable peas, rolled oats and rice crackers—to retail outlets throughout Canada and the western U.S.

Both banks turned him down flat.

Undaunted, Dan On approached another lender, Hong Kong Bank, now called HSBC. Using his house mortgage as collateral, he got just enough money to purchase the company's first form-fill machine from Lachine, Que.-based packaging equipment maker WeighPak/Paxiom.

"Packaging 56 bags per minute, instead of the usual 12 bags by hand, made the machine a bargain at \$120,000," recalls On.

A year later, the company purchased another form-fill packaging machine, this time a model from The Woodman Company of Decatur, Ga.

"It cost a little bit more because it was in the U.S. dollars, about \$150,000, and it doesn't give us the option for gas flush, but it served the purpose because it did give us an automatic Number 8 scale on top," On told Canadian Packaging. "That speeds up the process and increases efficiency."

These days, On and his bank could not be



Continued on page 38





## Fine and Dan-D!

Continued from page 34



lines, which he traces to a sustained rising market demand in the Vancouver area for “good food ... natural, healthy, organic food.”

Along the way, On also discovered an important void in the market which he thought he could fully exploit to his advantage.

“Nobody could buy any dried food unless they bought it by container,” he recalls.

As a result, he says, independent grocery chains would have to go to outside co-packing firms to buy the product by cases, and then break it down further into smaller packs before retailing them.

“So rather than sell to them in bulk I thought: ‘Why don’t we put them into the retail bin in, let’s say, 200-gram packs, give them a zip-lock and create a brand awareness along the way?’” recalls On. Using his own name’s brand value—“They really are handy-dandy,” he chuckles—the *Dan-D-Pak* was thus launched.

On says he makes it a point to spend a good portion of each working day contemplating ways to make his packages even more enticing to customers.

This includes frequent travel to Europe, particularly Italy and France, “Where all the arts are,” which he says helps provide design inspiration. In addition, he likes to drop on major equipment and technology trade-shows, namely the global food industry shows in Cologne, Germany, where he can directly approach major electronics manufacturers like **Siemens AG** to share his own ideas with prospective equipment suppliers.

This is extremely important, On maintains, because every new Dan-D-Pak machine must be custom-tailored to the requirements of the specific product lines.

“In the beginning, [manufacturers] would say, ‘Oh, this will work,’ and later on you ask, ‘Why is it I’ve got so much breakage on my cashew?’”

“Today, we’re talking about tailor-made equipment. We tell them, ‘You do our engineering for us and you sell us the component; we’ll make the frame and we’ll

build the truck body.’”

Efficient vacuum packaging is key to both the company’s marketing and packaging operations, according to On. “The moment a customer picks up a bag of peanuts and sees the words ‘vacuum-packaged,’ he or she knows it’s going to be fresh,” says On. “The fact that the products shelf-life has also been extended from three to 12 months may not mean much to the end customer, but it’s of supreme importance to the retailer.”



But this focus on vacuum packaging does exact its price, On acknowledges.

“It is very slow,” he says. “It doesn’t give us 56 to 60 bags a minute; it gives us about 15 bags a minute.

“We had to pay someone \$20 an hour to stand there doing one bag at a time, so rather than continue to do that, we switched all the vacuum-pack production to Vietnam, where labor only costs \$2 a day.”

Sensitive to criticism about exporting jobs outside of Canada to a low-wage haven, On is quick to point out that the company’s Canadian technical staff has provided much of the engineering and quality control expertise for the plant construction in Vietnam. In fact, the same

staff are there right now overseeing the construction of a new 40,000-square-foot production facility, scheduled ready for operation by the end of March.

Sales manager Harry Peterson points out that having these Vietnamese-based plants has a reciprocal beneficial effect on the company’s Canadian operations.

“What it enables us to do in Canada is to be more cost-efficient and more competitive,” Peterson says. “The more product that we can launch in our new plant and bring into our operation here, the more it really enables us to employ more people in our shipping, invoicing, clerical and warehousing areas as well.”

On says he has built up tremendous respect for North American packaging equipment designers. The half-dozen or so pieces of Canadian- and U.S.-made equipment at the Richmond plant continue to provide good production value for the initial investment, he says.

Low maintenance and longevity are key to On’s machine purchasing decisions, who also has some tips for would-be purchasers of packaging machinery.

“Above everything,” On stresses, “get out of the office.

“Spend more time checking out what your counterparts in Europe and Asia are doing. Travel more and see what is out there, rather than sitting down in your office and trying to figure out what to do at your sketch-table.

“You’ve got to see what’s going on out there.” □

*For more information on:*

<b>Japak Industries Inc.</b>	444
<b>Weightpak/Paxiom</b>	445
<b>The Woodman Company</b>	446