

FORT BEND COUNTY HISTORICAL COMMISSION

ORAL HISTORY COMMITTEE

Interviewee: **Rex Varn**

Interview Date: 06/03/2019

Interviewer: Jane Goodsill

Transcriber: Marsha Smith

Comments: Mr. Varn works at Advanced Polybag, Inc., and
Accredo Packaging, Inc.

11 Pages



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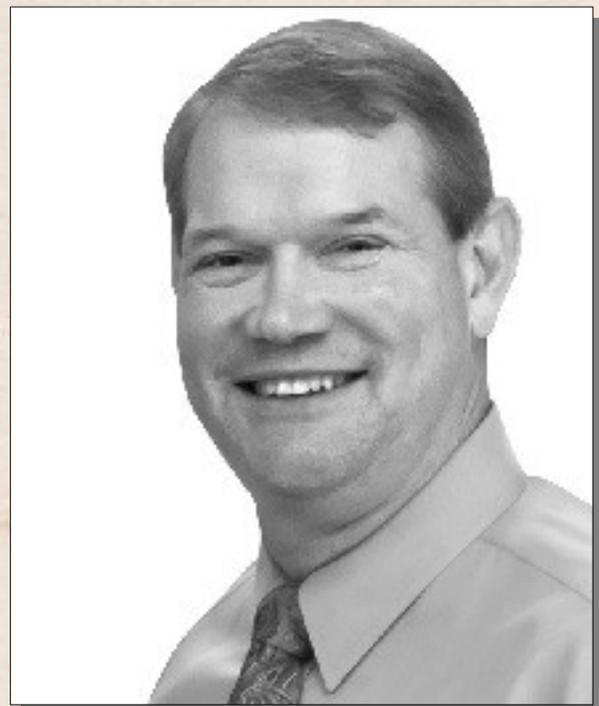
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Transcript

GOODSILL: What part of the country are you from?

VARN: I grew up in a small town in Virginia, Martinsville. My boys would call Hartsville, South Carolina, home because that's where they went to school. Over my career, we've moved around and lived in several different cities.

I graduated from Clemson University in South Carolina in 1980 and went to work for a company called Sonoco Products Company, which is headquartered in South Carolina. It is a packaging company and I worked for them for over 25 years in various levels of the organization to ultimately become a senior executive.

GOODSILL: What kinds of things were you doing for Sonoco?

VARN: I started as an engineer and then spent time in manufacturing and then in general management. I became a senior vice president with the company. They manufactured all kinds of packaging products. Plastic grocery bags as well as flexible packaging similar with what we do at Accredo. The company was founded as a maker of paper tubes and cones for the textile industry that people wrap yarn around. This started in the late 1800's so Sonoco has been around well over 100 years.

GOODSILL: When we buy upholstery fabric, a company like Sonoco creates the tube inside the role of fabric?

VARN: That's right. During my time at Sonoco I spent about two years in engineering and then moved into the plant management side of the business. I moved around six times over my career with Sonoco but all roads kept leading back to Hartsville, South Carolina, because that's where the corporate headquarters was. I then left Sonoco to become CEO of a plastic cutlery and straw company, Jet Plastica, just outside Philadelphia. They have since been sold and are now under a different name. I ran that company for a number of years then left to start my own company. I got tied in with a private equity group and found some assets to purchase and a team that I was going to bring in to start the company about 12 years ago just when the stock market crashed. When that happened, the investment group lost their investors.

The Nguyen family owns Advanced Polybag, Inc., and Accredo Packaging, Inc. When I was at Sonoco, the Nguyen family was a competitor of ours. I called Hank Nguyen, who is the CEO, and asked him if he would be interested in investing with me in the company.

They already had the plastic grocery bag company, which was very successful but they wanted to expand into something new so that's where Accredo came into play. He said, "We thought it would be nice to have you come in and help me and my brothers run Accredo." With that offer, my wife and I decided to relocate from South Carolina to Sugar Land about 10 years ago to become a part of the Accredo team.

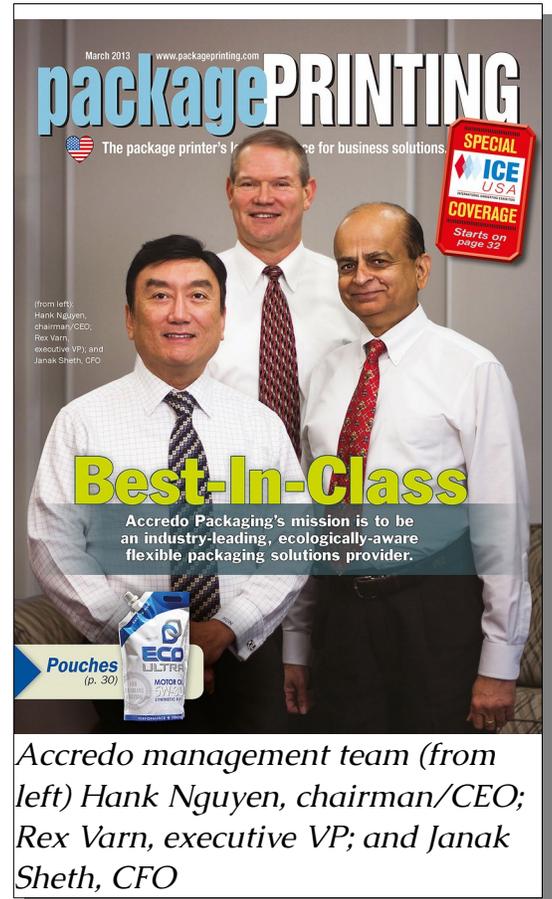
They had a fabulous vision and they are a great family. Their life story is remarkable. From humble beginnings, they have built a packaging dynasty. It began with the original American dream. The Nguyen family escaped Vietnam at the fall of Saigon in 1975, and arrived in the USA with few possessions. Through hard work, sacrifice, and perseverance, they eventually established successful small businesses.

Recognizing a market opportunity for plastic bags, they establish their first plant in New Orleans in October 1986. Demand outpaced capacity, and over the next number of years, the operation grew as new facilities were built in Baltimore, Las Vegas, Oklahoma City, and Chonburi, Thailand.

Advance Polybag, Inc. continued to grow to become the world's second largest supplier of T-shirt style polyethylene grocery bags. The family-owned company directs its five manufacturing facilities—four in the U. S., and one in Thailand—from its headquarters in Sugar Land.

In 2007, the family recognized that the market for grocery bags was tightening. Understanding the growth possibilities in flexible packaging, the family formed Accredo Packaging in 2007, with plant operations commencing in August 2009.

Accredo Packaging, Inc. has established itself as a leading flexible packaging manufacturer with a strong commitment to sustainability. Located in Sugar Land, the company provides products to the pre-packaged foods and consumer products markets in North America.



Accredo management team (from left) Hank Nguyen, chairman/CEO; Rex Varn, executive VP; and Janak Sheth, CFO

Accredo's 350,000 sq. ft. manufacturing facility is powered by 100 percent wind-generated electricity, and is the first flexible packaging manufacturing facility in North America to be granted LEED® Silver certification by the U. S. Green Building Council.

Accredo's designation as a LEED® Silver manufacturing facility is a major milestone in our commitment to delivering sustainable packaging solutions. In order to achieve this notable certification, our owners made a long-term investment of time and resources to design, build and operate a facility according to stringent environmental requirements, from optimizing the procurement of materials to energy usage and waste management.

As a result, everything we produce has a significantly reduced carbon footprint, even when manufactured to the same specifications as conventional converters. Hank Nguyen, Chairman & CEO, and Chinh Nguyen, President, attribute API's continuing success to its investment in leading edge technologies, including state-of-the-art extrusion, bag making, and printing processes, as well as careful attention to its customers' needs.

GOODSILL: How did they become the second biggest grocery bag manufacturer?

VARN: They are true entrepreneurs. They were quick to make decisions and they took chances. There were tough times I'm sure, but they fought through them. They have a tremendous work ethic and I think that's what got them where they are today. I note the plastic grocery bags are not produced in our Sugar Land facility, but the company is headquartered here.

GOODSILL: Plastic bags were a booming business and now have become ecologically unpopular?

VARN: Unpopular, although by far and away they are the most environmentally friendly product in the marketplace from a sustainability standpoint. That's what people don't understand. If you truly looked at the science of it, what they call our bag is "single-use plastic grocery bag".

Number one, it is not single-use; we all use them as trashcan liners, doggie bags, gym bags, and lunch bags. They are all reused and they are 100% recyclable. The alternative is paper bags. They are much heavier and use natural resources. They are recyclable as well but the process to make a paper bag uses water and chemicals and all those things increase a carbon footprint. Furthermore, it would take eight trucks to deliver the amount of paper bags that it takes for one truck of plastic grocery bags.

If one considers all those things and the impact on the environment, one can make an argument that the plastic bag is far superior to the paper bag in that regard. Reusable bags have been promoted as the superior option. However, the vast majority of reusable cloth bags are made in Asia. To reuse it, to conserve as much energy as it takes to make that bag, one would have to reuse it as much as 100 times to have the same carbon footprint as the "single-use" grocery bag. We all intend to reuse these bags many times, but in reality, we don't. Further, reusable bags should be washed after each use. That's using water, power, and detergent for sanitary cleaning, which increases its carbon footprint.

Our bag is 100% recyclable and that cloth bag is not recyclable. You put your groceries in it, some meat, put in the trunk of your car after you've emptied it and it sits in there. Think about what's going on inside that bag or in your cabinets. The last thing I want is for somebody to come behind me with a reusable cloth bag. I don't know where that's been. And they are coming on the same belt as my product. If you really look at the true science of it, you'd find that the product we make is the best for the environment, and like all things, it must be used responsibly.

GOODSILL: This is not the story we are hearing. I'm hearing we are not supposed to put our baggies in the recycle bin. What's the story there?

VARN: Plastic bags are not suitable for curb-side recycling since curb-side is intended for rigid plastics only, not for flexible plastic packaging. There is tremendous demand for recycled plastic grocery bags though, and these can be returned to your local grocery store to be recycled. People are just not getting the word, but far and away, it is the best product for the environment. We as a community have to figure out how to recycle it.

GOODSILL: What else do I need to ask you about the bags before we move on?

VARN: California has banned plastic bags. But they allow heavy gauge plastic bags which are "reusable". The problem is often not the bag; it is irresponsible disposal.

GOODSILL: Tell us about your other products.

VARN: Accredo is a fully integrated flexible packaging converting company. Meaning that we extrude the film that is then printed with high definition graphics before being converted into a variety of flexible packaging options, for items such as meats and cheeses to laundry and dish washing detergent packs, lidding films and many other applications.

Accredo's packaging solutions can be found in many retail grocers, offering a range of products from snack foods and confectionery items to frozen foods and pet treats. The company also produces over-wraps for paper towels and tissue, and shrink bundle film for bottled water and other beverages.

GOODSILL: It had to be a risk when they switched focus to high value-added flexible packaging.

VARN: It was a huge investment. They bought the best equipment in the world. Advance Polybag, Inc. generated the capital to invest into the Accredo operation. They have over 30 years of success in the plastic grocery bag business so it was not hard finding banks to come on board to support the Nguyen's vision for Accredo packaging.

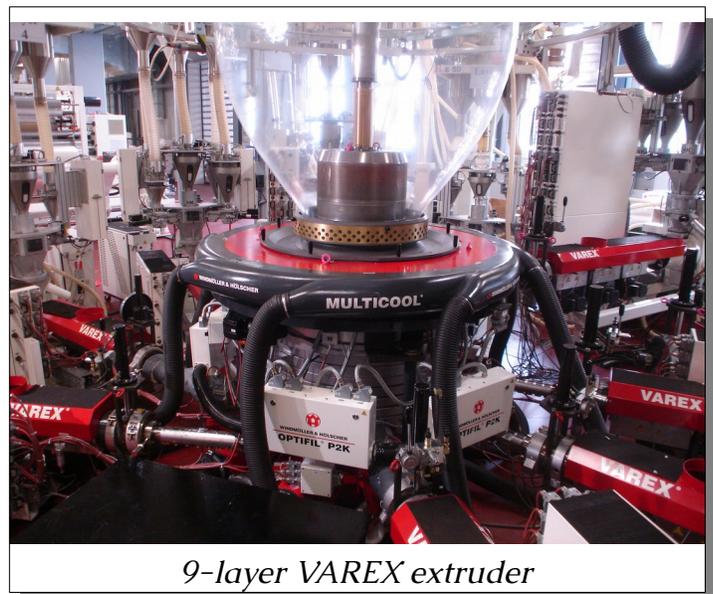
Accredo is the flexible packaging company and we have just opened a brand new plant in Vietnam doing the exact same thing we do here in Sugar Land. But your point is correct, it was a heck of a leap for the Nguyen family to go from plastic grocery bags to flexible packaging.

GOODSILL: Did they bring in some equity partners?

VARN: No, the Nguyen family privately owns it. The Nguyen family owns all the equity.

GOODSILL: What equipment do you have?

VARN: Our North America production facility has multiple extrusion lines, providing up to 9-layer capability. This enables us to produce packaging with high moisture and gas barriers to extend shelf-life of the product packaged. We have also just commissioned a new extruder that incorporates the latest technology to produce light weight breathable films for end-use applications such as diapers and feminine hygiene products, as well as drapes and gowns for medical use.



As for our printing capability, last year we added two new 10-color flexographic printing presses, and are currently installing another right now. An assortment of slitters, pouch-making and bag-making machines round out a top class flexible packaging company and one of the bigger manufacturing facilities in Fort Bend County.

GOODSILL: You send the product out to your customer and they fill it with whatever the product is and they market it?

VARN: Go down the grocery aisle at any supermarket, and nearly every aisle will have products packaged in flexible packaging. Opportunities for stand-up pouches, and flexible packaging in general, continue to expand exponentially as vendors compete for limited supermarket shelf space. More than ever, vendors of fast-moving, pre-packaged goods are changing the way products are merchandised on shelves to attract consumers with enticing print graphics, product package differentiation, and attention-grabbing package messaging.



Using its in-house extrusion system, Accredo devised two unique, patent-pending stand-up zipper pouches made of certified compostable components.

In addition, there is a growing drive to replace rigid plastic, glass bottles and cans with flexible packaging options. Sustainability, packaging cost reduction, portability, reduced material use, consumer convenience and significantly lower shipping costs relative to rigid containers, are the major drivers of this trend.

GOODSILL: Does it take a lot of people to run the equipment? Or is it mainly automated?

VARN: It is both. We run 24 hours a day, 7 days a week. You want to make the best utilization of your assets. We run 12-hour shifts with 4 crews, two on/two off at any point in time. We currently employ 450 people at our Sugar Land facility.

GOODSILL: Is there any heavy labor required in this work?

VARN: I'd say no. It's more high-skilled labor. There is not a lot of heavy lifting involved. To print the quality that we do takes a very skilled team. And to make the film takes highly trained/highly skilled people. It's a lot of electronics. It's mostly computer driven. There are cylinders, and printing plates and everything has to be lined up perfectly. The colors have to be perfect. Ink comes into trays where plates pick up the ink and transfer it to the film. We run at very high speeds so you have to have talented people.

GOODSILL: Do you have a large sales force?

VARN: Not large. We have a dozen people between the two companies. We like to say our product sells itself. We are a mid-sized company. Some of our competitors are billion dollar companies. We have grown from zero ten years ago to where we are today and we feel we hold our own against our multi-billion dollar competitors. We believe we are superior printers and great filmmakers so we welcome the challenge of the competition out there.

GOODSILL: And you have customers from all over the nation or internationally as well?

VARN: Not international *per se*. We have a few customers in Canada and in Mexico and in Puerto Rico. We are mainly in the U. S. Our plant in Vietnam is not making product to bring back into the U. S. It's making product to service Southeast Asia. Asia in general, and Europe, are far ahead of the United States as far as the conversion to stand-up pouches. They were in pouches long before we were. We were more resistant to changes in packaging, as a country, and stayed in boxes, cans, and jars.

GOODSILL: Because the companies had branded themselves and that's what their product looked like on the store shelves?

VARN: And all their filling equipment is designed to fill those containers. They have to make a significant investment to fill a pouch. It takes different tooling.

We're not supplying Europe at this point. On a per capita basis, Southeast Asia and Europe would supersede what we do here in the United States. But we're getting there. The United States is converting fairly rapidly now.

GOODSILL: Tell me a little bit about your distribution system.

VARN: We don't have our own fleet of trucks. We use the local carriers. The raw materials we use are petrochemical polyethylene resins that come from the greater Houston and Louisiana areas. A large part of our resins are purchased right here from our partners in the greater Houston area. And we bring that in by rail car even though it comes from a close distance. We have multiple rail sidings.

GOODSILL: The distribution of the final product goes out via truck?

VARN: Yes.

GOODSILL: Petrochemicals are better transported via rail?

VARN: We buy so much. Every rail car holds about 200,000 pounds of resin and we buy several hundred million pounds of resin. A truck will hold only 40-45 thousand pounds.

GOODSILL: When it comes off the rail car, what is it in? What kind of container?

VARN: We pump the resin directly from the rail car into silos that feed straight to the extruders.

GOODSILL: Now you have to speak for the Nguyens. Why Sugar Land?

VARN: We were headquartered about 15 years ago in New Orleans, where we have a plant, when Katrina came. Basically that whole area was devastated so they came to Houston. Once they got here, the local community was so welcoming they never considered leaving. We had an office building in First Colony. The plant was here and the office was over there. We had to go back and forth and we decided that didn't make a lot of sense. So we added on to this facility to allow for the office building.

The city of Sugar Land and Fort Bend County have been fabulous to the Accredo/API family. Their role is to bring industry to Sugar Land and provide jobs for the people. They have been great partners! Really easy to work with. They realize that we brought a lot of high paying jobs to the area and have fully supported us.

GOODSILL: Is there a next generation of this that you are kind of looking at and dreaming about already?

VARN: What we do now is the high end of flexible packaging. As technology improves, we want the newest, latest, and greatest. The next generation of extruder, the next generation of printer. That's what we're going to be buying.

Concurrent with the construction of our new plant in Vietnam, we've initiated expansion of our Sugar Land production facility which will add and equip more than 200,000 square feet of new warehouse and production space. It made sense at this time to leverage our costs by expanding our existing footprint rather than build in another part of the United States. Upon completion in July 2019, Accredo North America will span close to 550,000 square feet. For now, this is probably going to be enough for us here in Sugar Land. The building has a raised roof section to accommodate the extruders. The extruders need more vertical space to allow the film to cool after being heated to about 400°. The rest of the ceiling is lower.



Accredo's 550,000-sq-ft greenfield plant in Sugar Land, Texas, is designed and built to LEED certification standards and houses some of the most sophisticated converting equipment available.

A new product that we are venturing into right now, and that's part of what this building is all about, is the hygiene market, e.g., the outer film for diapers, both adult and baby diapers. We've made investments in making that product very, very thin.

GOODSILL: How is that different from wrapping bottles?

VARN: It's much thinner film. So you are getting into more high technology. It is the outer layer of the diaper with the cute little designs that they have on there. That film has to be breathable. The technology has been around for years but we think with the investment we've made, we can make it stronger and thinner and therefore less expensive to our customers.

GOODSILL: Do you hire engineers?

VARN: We do. We have several engineers on staff to do this kind of development. Hank Nguyen, our CEO, is an equipment guy. He really loves the newest, latest, and greatest so he stays on top of the newest technology.

GOODSILL: Is he an engineer?

VARN: He's a self-taught engineer. It would be great having the Nguyen family talking with you but they are not about being in front. They are behind the scene folks.

The Nguyen family wants to share. They are not about making money and how much can they make. The money they make goes back into the business. I get calls from people who are interested in possibly purchasing the business. For years, I'd say, "Hey, I got another call."

And their comment was, "Rex, we're not interested in selling this business. First off, what would we do? We enjoy what we're doing. And we're building this business for the next generation." We have all the brothers involved with the business. All our locations have a brother there.

GOODSILL: And they all have children now!

VARN: Exactly. So now the children are in the business. We have nieces and nephews all over the place. The first generation Nguyen family were extremely innovative and resilient; the second generation has higher education, all very talented young people in various fields, who are coming back into the business. Some will work outside to learn another way but they all eventually will come back to API and Accredo.

GOODSILL: Thank you Rex.

Interview ends