

**Dipping for new idea leads to edible success**

*Chello Foods' spreads hit it big at Whole Foods*

**BY Einav Keet**

Business Report Correspondent

LAFAYETTE - Inspiration can strike at the strangest of times. Just ask Mallory Kates.

While on a bike tour of California in June of 2005, Kates decided it was time to leave her career in the corporate marketing world and start something new. Little more than a year later, with the help of some big players in the natural foods industry, her daydream was realized with the launch of Chello Foods and its line of gourmet dips and spreads.

She returned home to Boulder and recruited friend and food-industry veteran, Curt Tellam - the founder of the Boulder-based hummus company, Blue Moose.

With a few business ideas in mind, the pair approached some executives at Whole Foods and soon found their calling. According to Kates, "They were clear that while they liked our ideas, what they really wanted was a reliable source for great Pesto and cheese dips. So we spent the next four months making products for the Whole Foods team to try."

Kates and Tellam invested \$185,000 of their own funds for startup costs and product development. In August 2006 the Chello Foods line of all-natural pestos, tapenades, cheese spreads and dips became available exclusively on Whole Foods' shelves.

From the company's headquarters in Lafayette, Chello now churns out 5,500 to 6,000 packages of its product a week. Its 29-plus flavors include jalapeno pecan pesto, lemon artichoke tapenade, apricot pecan cream cheese and crowd-favorite smoked Gouda pimento cheese.

Chello's products are already carried in 31 Whole Foods stores throughout Colorado, Texas, Louisiana, Kansas, New Mexico and Washington. The company benefits from the seasoned palates of its founders.

"The challenge is staying current and tasting our own products constantly - every week," Kates said, describing how she and Tellam practice selectivity when choosing ingredients such as tomatoes and artichoke hearts.

"In Colorado, we can't get basil year-round, so we get it out of Hawaii, which has the nice, rich fields, and it gets delivered each week," Tellam noted, adding that Chello's basil pesto is "way up there" when it comes to flavor.

Chello Foods owes its speedy success not just to the quality of its products, but also to its good relationship with Whole Foods, the only retailer to carry the line.

"I love the fact that they can do custom things for us, that they're right here in our own backyard and we're supporting the local economy. They also just make a great product, at the end of the day," said Chris Boyle, Rocky Mountain region coordinator for Whole Foods' specialty department.



Michael Myers

Curt Tellam and Mallory Kates, owners of Chello Foods, stand behind an array of their dips and spreads. Chello's natural products are sold exclusively at Whole Foods Markets.

Dylan Flaitz, specialty team leader at the Fort Collins Whole Foods store, said the Chello line jibes with the all-natural, preservative-free mission of the retailer and its shoppers alike.

"I've gotten nothing but good feedback, especially when we sample them in store," Flaitz said. "We've created a pretty good fan base and have quite a following."

As for the Chello camp, they have no complaints.

"I had always been a Whole Foods customer, and I hoped I wouldn't get disillusioned when I become a vendor," Kates said. "I'm so happy to say that I didn't. You're treated as well as a vendor as you are as a customer."

The partnership between Chello and Whole Foods seems set to go beyond the honeymoon phase. Chello's founders expect to sustain the momentum and double their output by early spring.

While their company's growth has been somewhat sudden, Kates and Tellam say their backbone of 12 employees keep operations running smoothly, so much so that they're already planning on expanding Chello by supplying products to the food-service industry.

Tellam said there are always growing pains, but experience and solid relationships have helped to keep them to a minimum.

Kates said that she and Tellam are just enjoying "dreaming up things and saying 'wouldn't it be good if' and then making them."