



THE FUTURE OF JBS UNITED

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Case Study Competition



CAL POLY
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JBS UNITED TODAY

- Midsize agribusiness
- 4 Segments
 - Nutrition and emerging technologies
 - Grain division
 - Farm division
 - Corporate support
- Guiding statement

“JBS United Inc. will be the premier animal health and nutrition innovator”

JBS UNITED PRODUCTS AND SERVICES

- **Swine nutrition**
 - Pre-mix and Base-mix products
 - StrataPlan
 - Swine Records Program
- **Dairy nutrition**
 - 3-phase feeding and cow management program
- **Research and development**
 - Focused on enhanced customer profitability
- **Emerging technologies**
 - Optiphos
 - Ovugel
 - Microbial Discovery Group
- **Grain Division**
 - 7 elevators
- **Farm Division**
 - Pork production

INDUSTRY ASSESSMENT

Substitutes

- On farm feed rations
- Value added market
- No additives

Buyers

- Large volume buyers
- 'Undifferentiated'
- Customer loyalty

5 major
companies
Most
important
farm input

Suppliers

- Commodities
- Integrated
- Price takers

Barriers to Entry

- Infrastructure capital
- Research capacity
- Federal product approvals

SWOT ANALYSIS

Strengths

- Diversified Portfolio
- Customer Connection
- Research and Development
- Well Educated Salesmen

Weakness

- Economies of Scale
- New Product Infrastructure

Opportunities

- Emerging Foreign Markets
- Immature Dairy Portfolios
- New Domestic Markets

Threats

- Powerful Competitors
- Changing Consumer Perception
- Cost of R & D

WHAT ARE THE OPTIONS?



ALTERNATIVE 1

- Develop a broader Dairy Portfolio
 - Herd Size is increasing
- Expand Globally
 - Acquisitions and Joint Ventures
 - Long Term – China will be the worlds new #1 economy¹
 - Short Term – Unstable Growth

ALTERNATIVE 2

- R&D new feed technologies
- Consideration for societal demands
 - Natural
 - Antibiotic free
- Increased animal growth rates
- New feed byproducts of other new technologies
 - Ethanol
- Explore larger domestic market
 - Southeast & Atlantic

ALTERNATIVE 3

- R&D a new milk replacer product for dairy calves
 - Partnership with regional land grant university for research
- Exploit current dairy customers for market entry
 - Michigan, Indiana, Ohio
- Develop new dairy markets
 - California and the West Coast
 - Northeast
 - Wisconsin
- Expand via regional market acquisitions

ALTERNATIVE 3: DAIRY CALF NUTRITION

OUR CHOICE

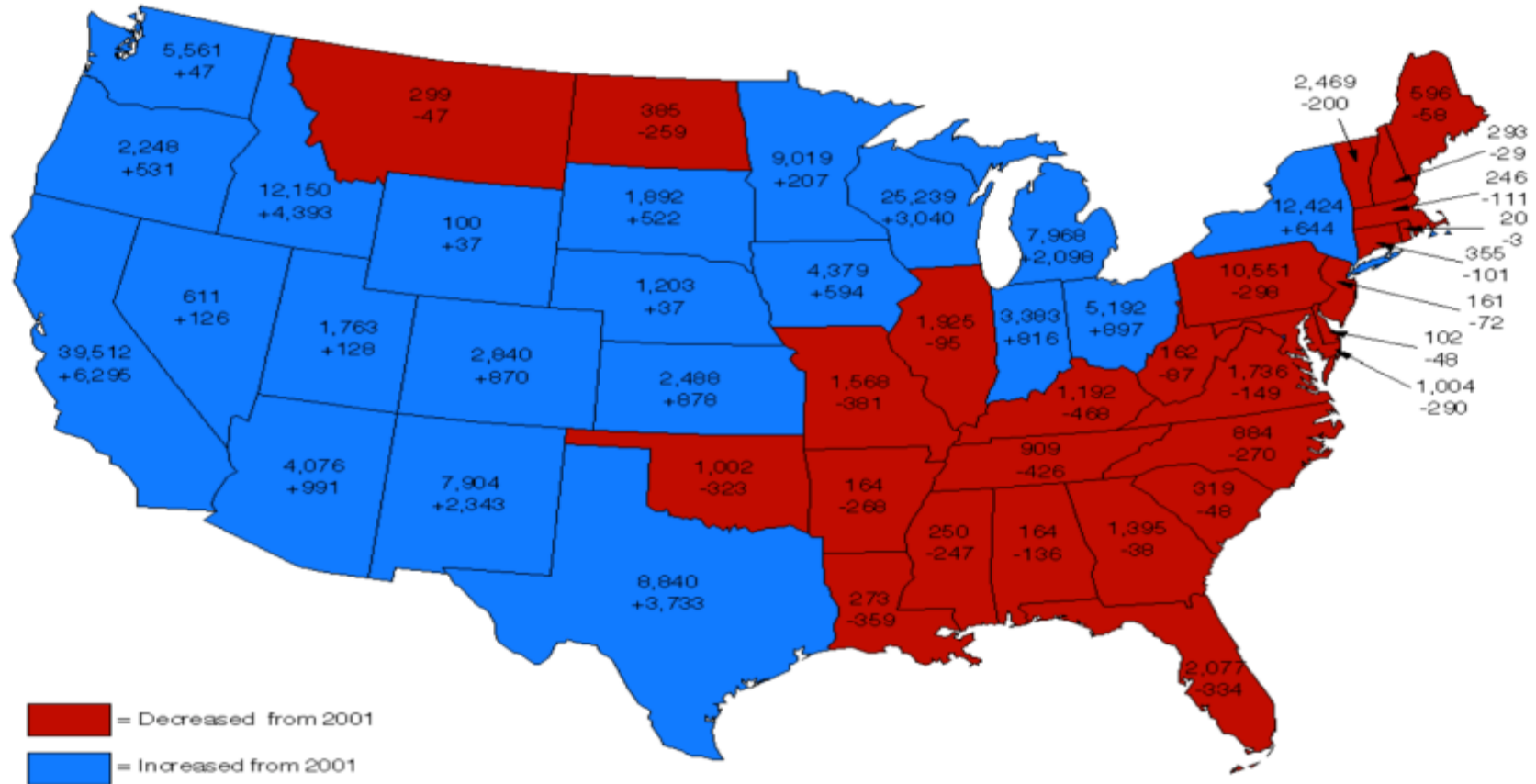
ASSUMPTIONS

- **December 2011**
- **Current Trends in the Industry are likely to continue.**
- **Products will be able to receive FDA approval**
- **Current customers would be willing to adopt a new products or technology for their livestock**

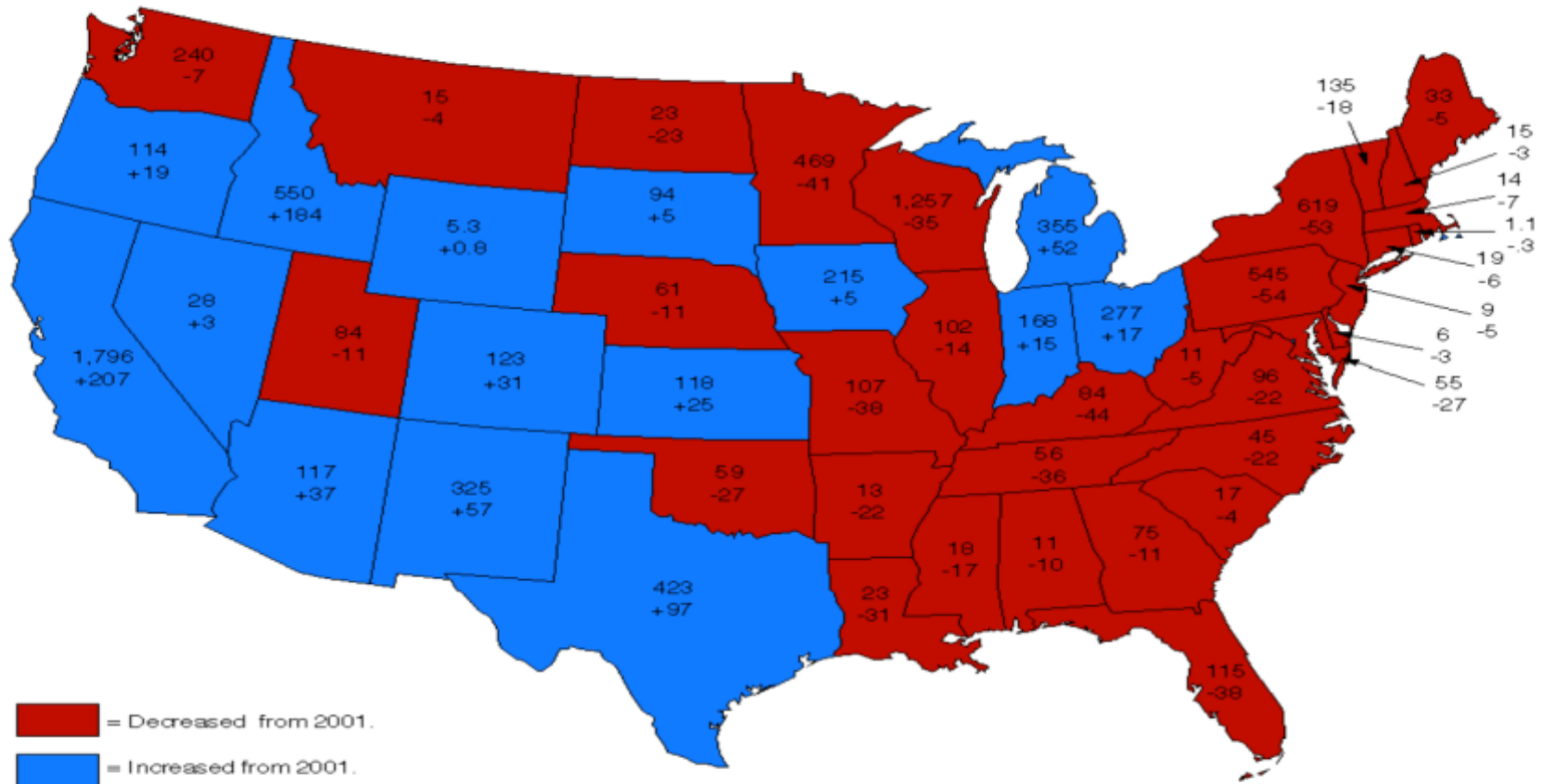
AMERICA'S DAIRY HERD

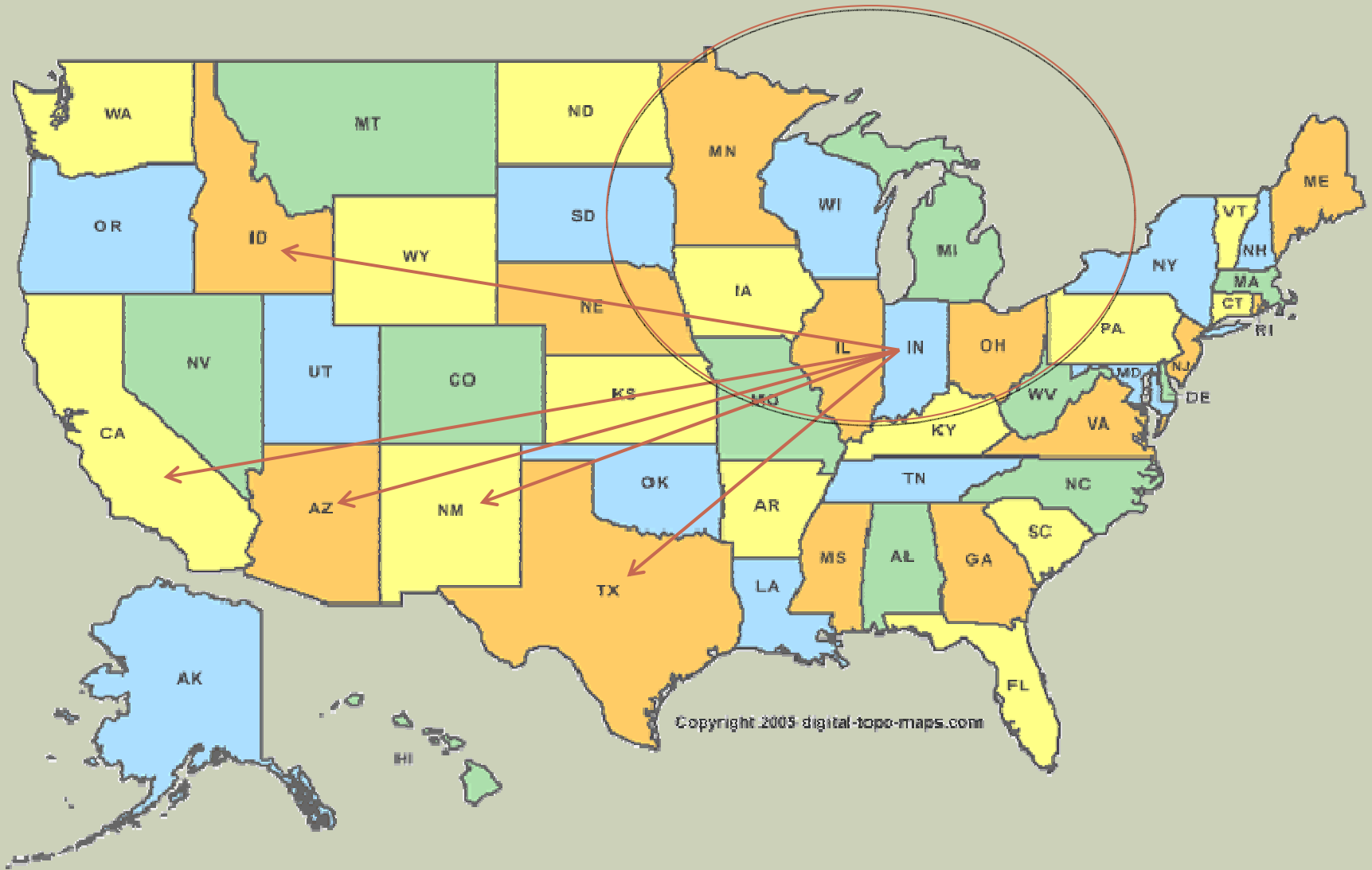
- Overview of the United States Dairy Industry⁴
 - Decrease of milk cow operations by 33%
 - Increase in milk production (pounds) by 15%
 - Increase in total milk cows by 1%
- Conclusions
 - Nutrition programs key
 - Increased intensification

Graph 8. Milk Production - United States: 2009 and Change from 2001 (million pounds)



Graph 10. Milk Cow Inventory - United States: 2009 and Change from 2001 (1,000 head)



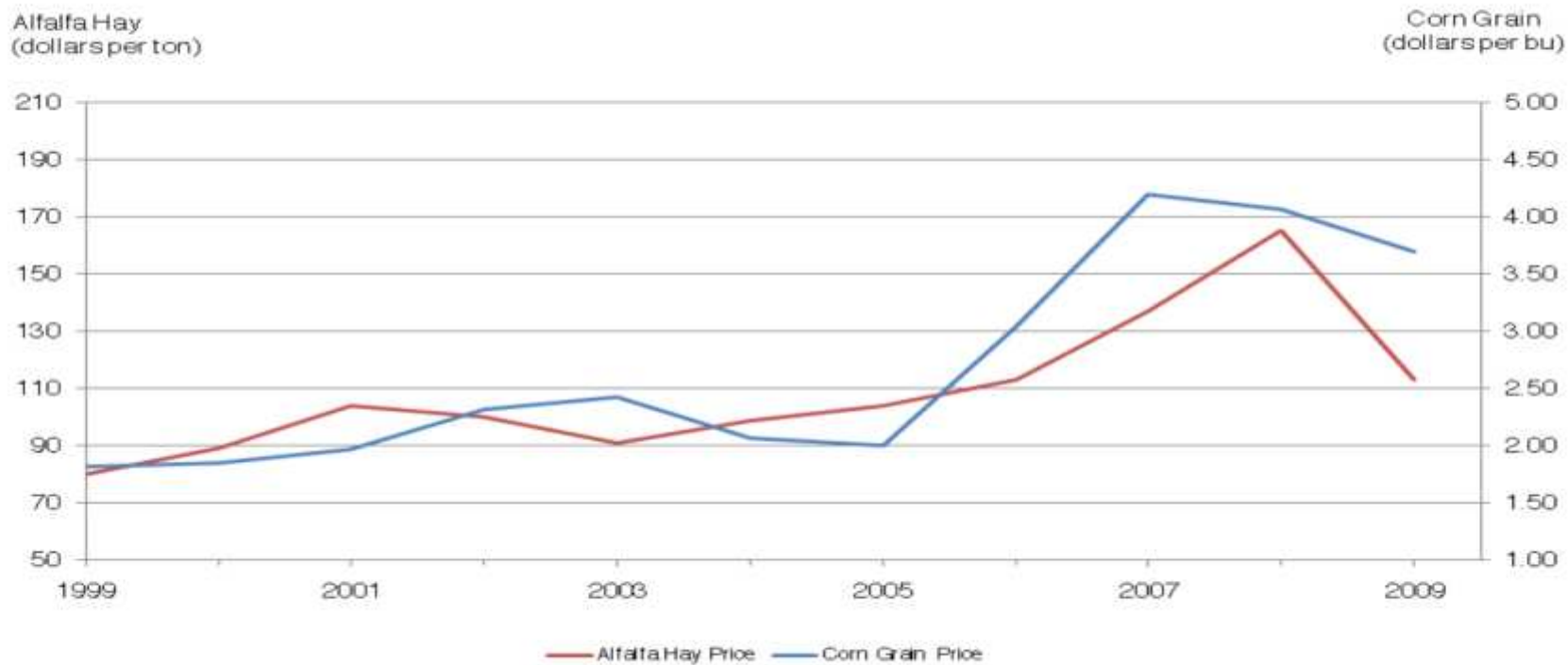


WHY INVEST IN CALF NUTRITION?



- Early attention and high quality milk replacer, increase animal profitability later on in life.³
- Good calf nutrition has a return of 4.5:1²
 - Important to the producer
- Increased feed prices

Graph 12. Alfalfa Hay and Corn Grain Prices - United States



CHALLENGES

- How to allocate managerial attention
 - Current dairy offerings
- Entering a market with large competitors
 - JBS United has competed in this environment before with success
- Initial capital investment
 - Building infrastructure
 - Acquisitions ease this problem
 - Employees for expansion

QUESTIONS?

REFERENCES

¹Barboza, David. "China Passes Japan as Second-Largest Economy." *New York Times*, 15 Aug. 2010. Web. 26 July 2013. <http://www.nytimes.com/2010/08/16/business/global/16yuan.html?pagewanted=all&_r=1&>.

²Earleywine, Tom. "Here's the Latest in Calf Nutrition and Research." *Welcome to Progressive Dairyman Magazine*. Progressive Dairyman, 2009. Web. 03 Aug. 2013. <http://www.progressivedairy.com/pd/features/2009/1409/1409_earleywine.html>.

³Soberon, F., E. Raffrenato, R. W. Everett, and M. E. Van Amburgh. *EARLY LIFE MANAGEMENT AND LONG TERM PRODUCTIVITY OF DAIRY CALVES*. Proc. of 2011 Cornell Nutrition Conference for Feed Manufacturers, Doubletree Hotel, East Syracuse, NY. 217. Print.

⁴United States of America. United States Department of Agriculture. National Agricultural Statistics Service. *Overview of the United States Dairy Industry*. 2010. Print.