THE FUTURE OF JBS UNITED

Chase DeCoite & Steven McLennan
2013 AAEA Graduate Student Case Study Competition
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

**Suppliers**
- Commodities
- Integrated
- Price takers

**Barriers to Entry**
- Infrastructure capital
- Research capacity
- Federal product approvals

5 major companies
Most important farm input
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 economy
    - Short Term – Unstable Growth
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
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
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 product or technology for their livestock
Overview of the United States Dairy Industry

- 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
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 4.5:1$^2$
  - Important to the producer
- Increased feed prices
Graph 12. Alfalfa Hay and Corn Grain Prices - United States
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


