JBS UNITED AND THE FUTURE: TOO MANY OPPORTUNITIES

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AAEA Graduate Student Case Study Competition
About JBS United

- Animal Nutrition Company
- $450 Million in Sales (2010)
- Midwest Area of Operations

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

How to allocate managerial resources to capitalize on growth opportunities while maintaining core operations?
### Solution Overview:
#### Three Areas of Focus

<table>
<thead>
<tr>
<th>Focus Areas</th>
<th>Opportunity</th>
<th>Resources and Capabilities</th>
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<tbody>
<tr>
<td>Swine Production in China</td>
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Porter’s Five Forces

- **Supplier Power**: Low
  - Low Degree of Specialized Products

- **Threat of Substitutes**: Low
  - Large Companies Can Replace Rations
  - High Quality Highly Technical Products

- **Internal Competition**: High
  - Highly Competitive

- **Threat of Entrants**: Low
  - High Specific Investment Costs
  - High Knowledge Requirements

- **Buyer Power**: Med
  - Large and Small Buyers
  - Major Provider of Specialized Products
**SWOT Analysis**

**Strengths**
- Superior Customer Service
- Flexible Business Relationships
- Leader in Research and Development
- Farm Management

**Weaknesses**
- Low Market Penetration
- Narrow Scope

**Opportunities**
- Growth in Dairy Industry
  - Domestic
- Growth in Pork Industry
  - China and Developing World

**Threats**
- Swine Market Stagnation in US
- Pending Legislation in:
  - Environmental Stewardship
  - Animal Welfare
SWOT Analysis

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Appraisal Matrix

[Diagram showing a matrix with divisions and strategic importance axes]
Solution Focus

Swine Production in China
Swine Production in China

Figure 1. Total Pork Consumption in China and U.S.

Source: U.S.D.A. Foreign Agricultural Service

Swine Production in China

Opportunity
- Growing Pork Consumption
- Need for Managerial Experience and Technology Utilization

Resources & Capabilities
- Managers’ Knowledge of Transition
- Superior Base Ration

Implementation
- Utilize Managers’ Knowledge to Guide Transition
- Create Managerial Training Program
- Use Superior Nutrition to Supply Growing Demand
# Swine Production in China

## Pros
- Seize First Mover Advantage
- Assurance of Maximum Production Efficiency and Quality
- Expand Geographic Foothold

## Cons
- Short Term Stress on Management
# Swine Production in China

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<td>• Seize First Mover Advantage</td>
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<td>• Limited Impact due to Customer Service and New Training Program</td>
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Solution Focus

Continued Research & Development
Continued Research & Development

Opportunities
• Changing Industry Structure Through Regulations

Resources and Capabilities
• R&D Staff and Facilities
• Proprietary Knowledge
• Research Ability

Implementation
• Use R&D to Counter Anticipate Environmental Regulations
• Leverage Facilities to Continue Innovations
• Continue Seeking Research Partnerships
# Continued Research & Development

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Solution Focus

Expansion of Dairy Services
Expansion of Dairy Services

2013 U.S. Dairy Herd Growth

Chart: Green = Largest increase = 2,596,898 kg/km²
Rust = Largest decline = 295,363 kg/km²

http://www.hoards.com/13mar25-cow-islands
Expansion of Dairy Services

Opportunity

• Need for Feed and Nutrition Driven by Movement of Dairy Production

Resources & Capabilities

• Superior Nutritional Products
• R&D Based Approach
• Managerial Experience in Dairy

Implementation

• Establish Market Presence in Expanding Market
• Leverage R&D to Expand Market Reputation
Expansion of Dairy Services

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<td>• First Mover Advantage</td>
<td>• Shift of Company Focus</td>
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<td>• Actionable Tomorrow</td>
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<td>• Expand beyond Regional Scope</td>
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Questions?
Long Term Plan

Now
- Research
- Establish Dairy Presence

1-3 Years
- Investigate and Select Partner for Swine Venture
- Expand Dairy Presence

3-10 Years
- Establish and Grow Chinese Swine Presence
About JBS United

- 38% of Assets in Nutrition
- 30% of Assets in Grain
- HQ in Sheridan, Indiana
References

