

# JBS UNITED AND THE FUTURE: TOO MANY OPPORTUNITIES



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# 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?



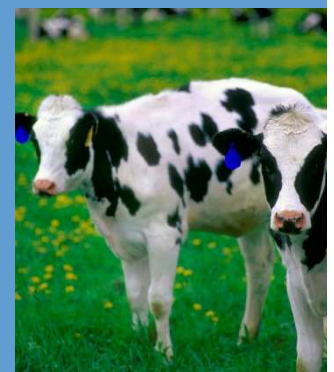
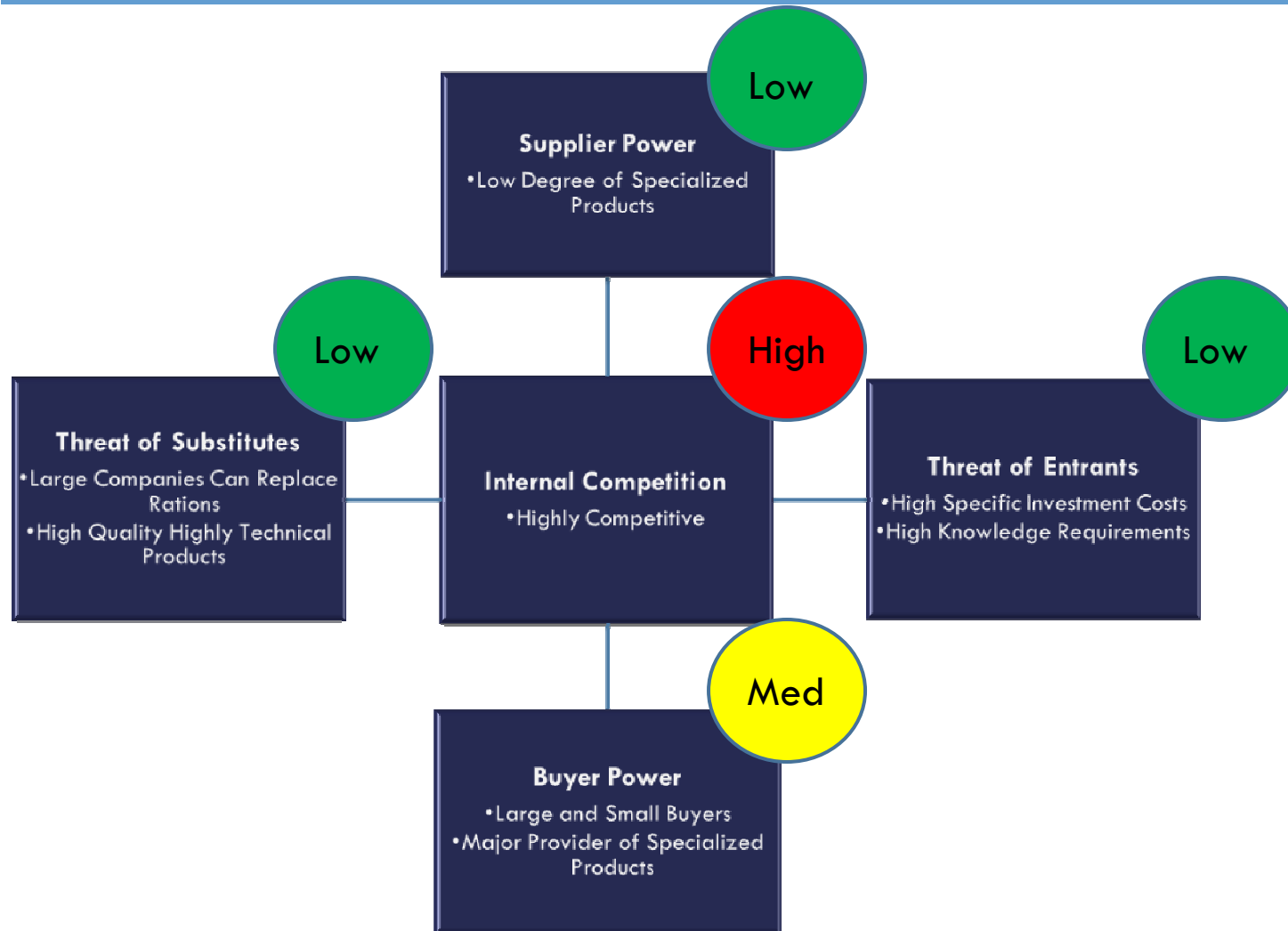
# Solution Overview:

## Three Areas of Focus

<b>Focus Areas</b>	<b>Swine Production in China</b>	<b>Continued Research &amp; Development</b>	<b>Expansion of Dairy Services</b>
<b>Opportunity</b>	Growth of Pork Consumption in China	Changing Industry Structure	Movement of Dairy Herd into Western States
<b>Resources and Capabilities</b>	Management Expertise	Superior R&D Division	Superior Nutritional Products



# Porter's Five Forces



# 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

## Strengths

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# SWOT Analysis

## Opportunities

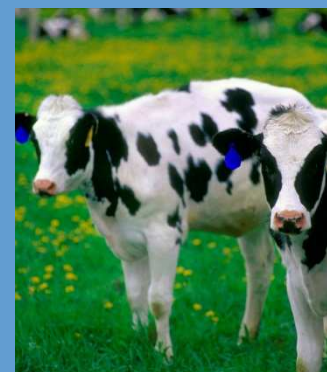
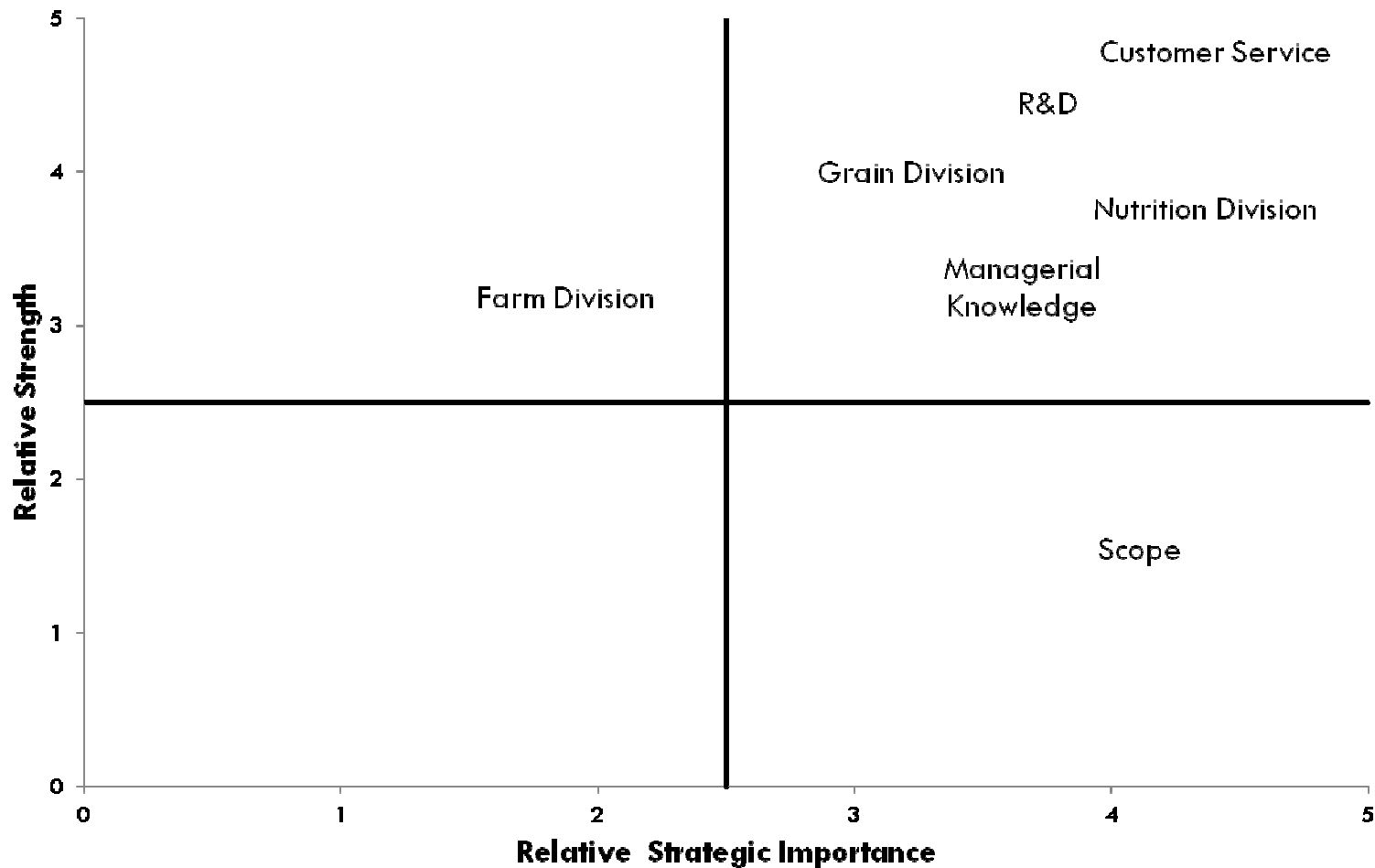
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- Growth in Pork Industry
  - China and Developing World

## Threats

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- Pending Legislation in:
  - Environmental Stewardship
  - Animal Welfare



# Appraisal Matrix



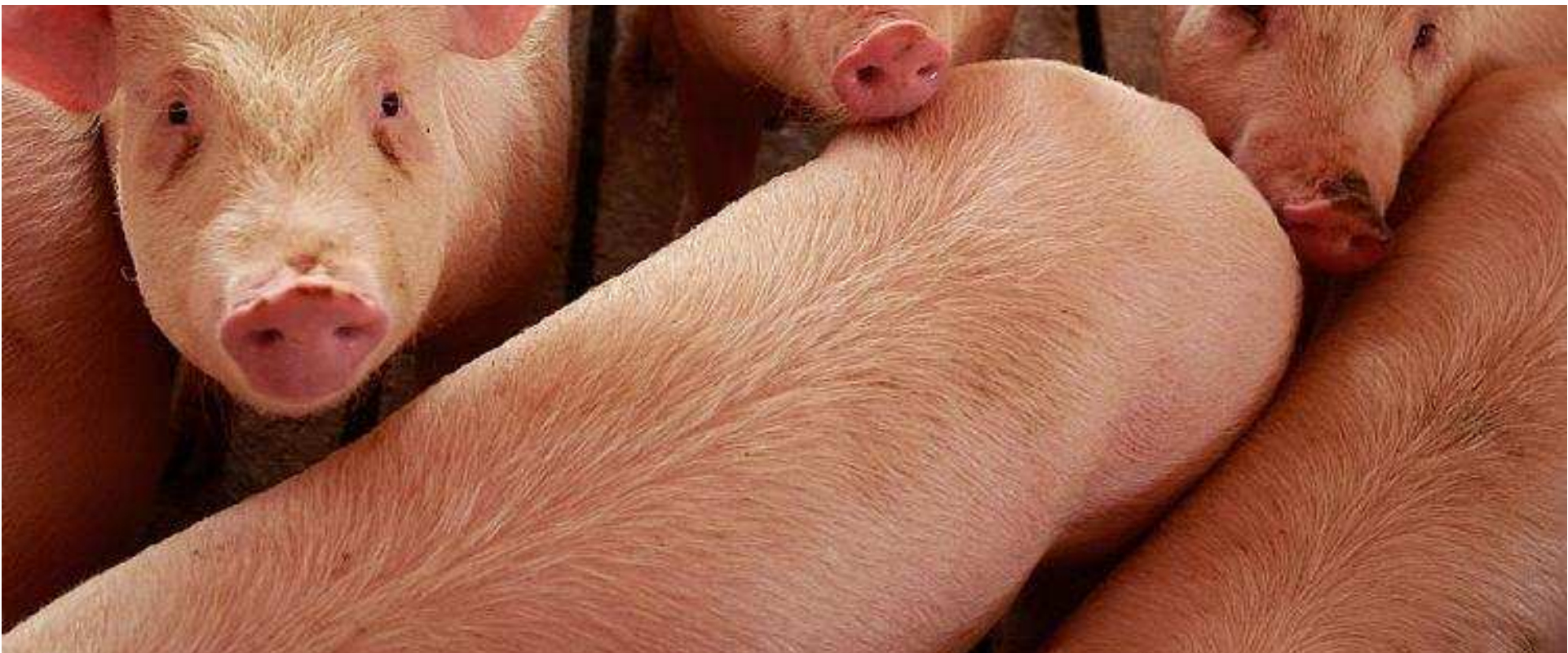




**Solution Focus**

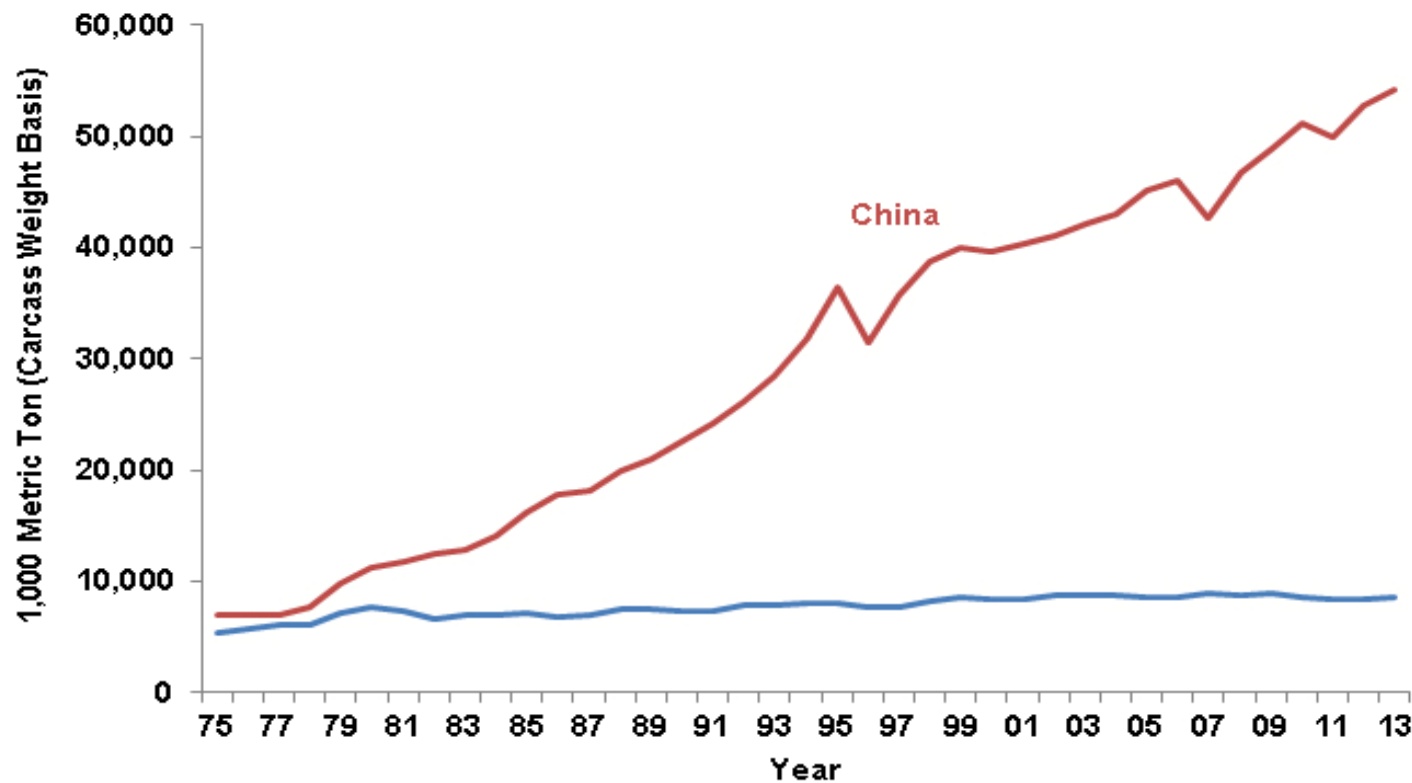


# Swine Production in China

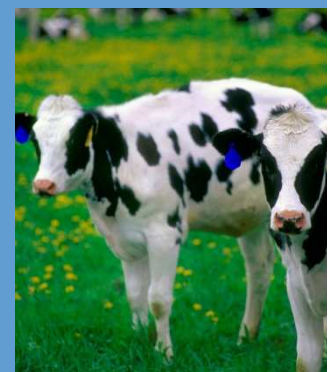


# Swine Production in China

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



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



# Swine Production in China

## Opportunity

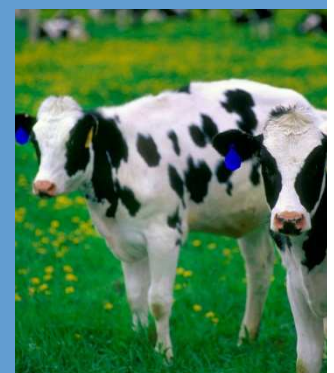
- Growing Pork Consumption
- Need for Managerial Experience and Technology Utilization

## 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





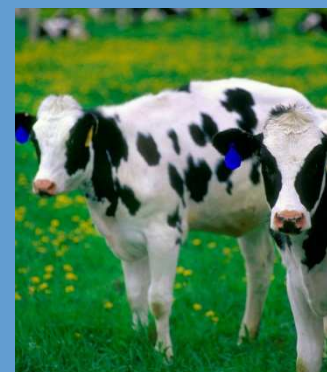
# Swine Production in China

## Pros

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

## Cons

- Short Term Stress on Management



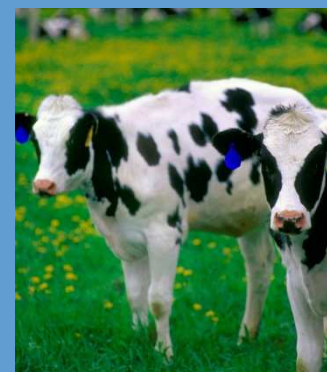
# Swine Production in China

## Pros

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

## Cons

- Short Term Stress on Management
- Limited Impact due to Customer Service and New Training Program



# Solution Focus

Continued Research &  
Development



# Continued Research & Development

## Opportunities

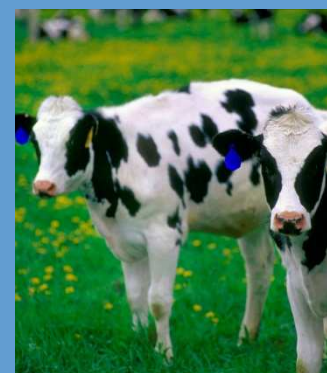
- Changing Industry Structure Through Regulations

## 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





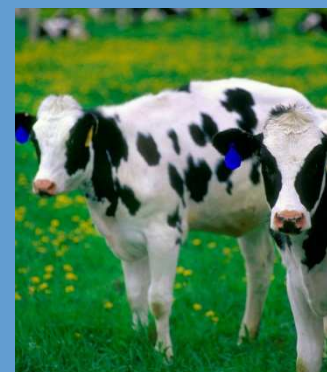
# Continued Research & Development

## Pros

- Tool Used to Transition Threats to Opportunities
- Compliments other Focus Areas
- Source of Competitive Advantage

## Cons

- Capital Intensive
- Unpredictable Returns



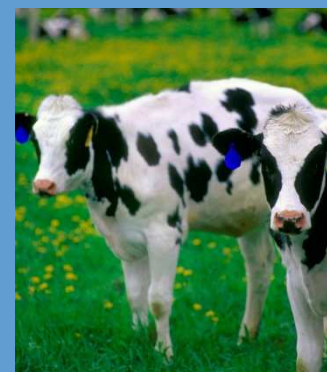
# Continued Research & Development

## Pros

- Tool Used to Transition Threats to Opportunities
- Compliments other Focus Areas
- Source of Competitive Advantage

## Cons

- Capital Intensive
  - Potentially Large Dividends
- Unpredictable Results





# Solution Focus

## Expansion of Dairy Services



# Expansion of Dairy Services

2013 U.S. Dairy Herd Growth

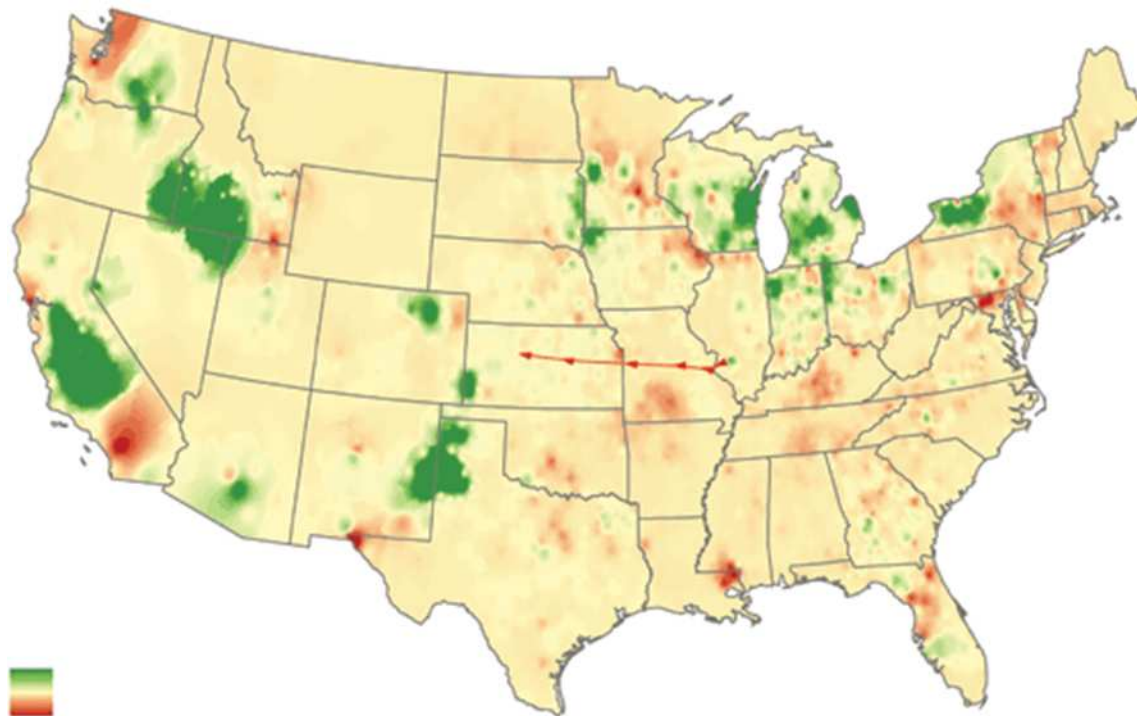


Chart: Green= Largest increase = 2,596,898 kg/km<sup>2</sup>

Rust= Largest decline = 295,363 kg/km<sup>2</sup>





# Expansion of Dairy Services

## Opportunity

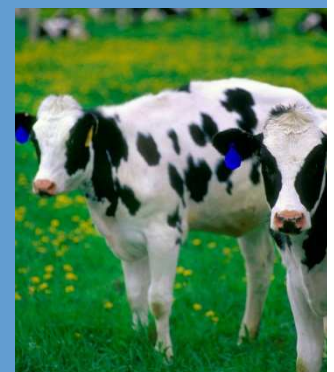
- Need for Feed and Nutrition Driven by Movement of Dairy Production

## 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



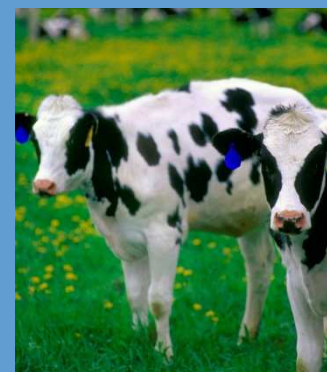
# Expansion of Dairy Services

## Pros

- First Mover Advantage
- Actionable Tomorrow
- Expand beyond Regional Scope
- Counters Swine Market Stagnation

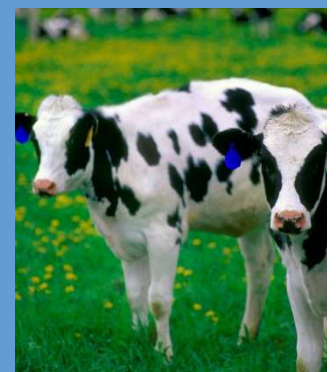
## Cons

- Shift of Company Focus
- Capital Intensive

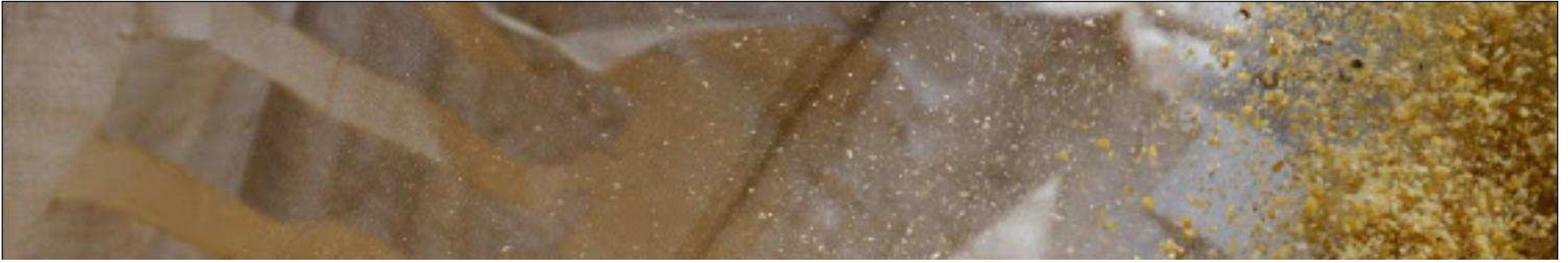


# Summary

<b>Focus Areas</b>	<b>Swine Production in China</b>	<b>Continued Research &amp; Development</b>	<b>Expansion of Dairy Services</b>
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Questions?



# Long Term Plan

Now

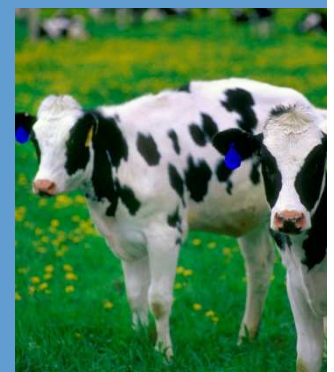
- Research
- Establish Dairy Presence

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

- ❑ JBS United. 2013. “2013 John B. Swisher Leadership Award.” *JBS U*: In press.
- ❑ Schnitkey, Gary. 2013. “Chinese and U.S. pork consumption and production.” University of Illinois. *porkNetwork*.
- ❑ Stephenson, Mark. 2013. “We’re creating cow islands.” *Hoard’s Dairyman*, March, pp. 191.

