

# JBS United

## Case Study

2013 AAEA Conference

Graduate Student Case Competition

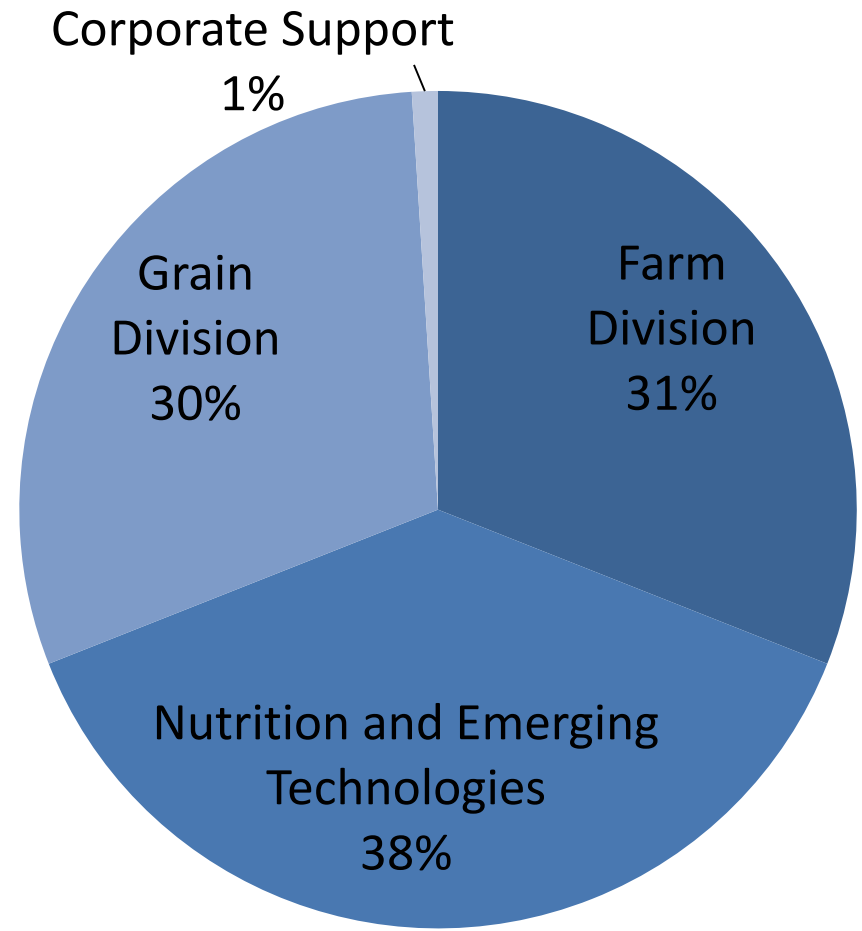
Cornell University

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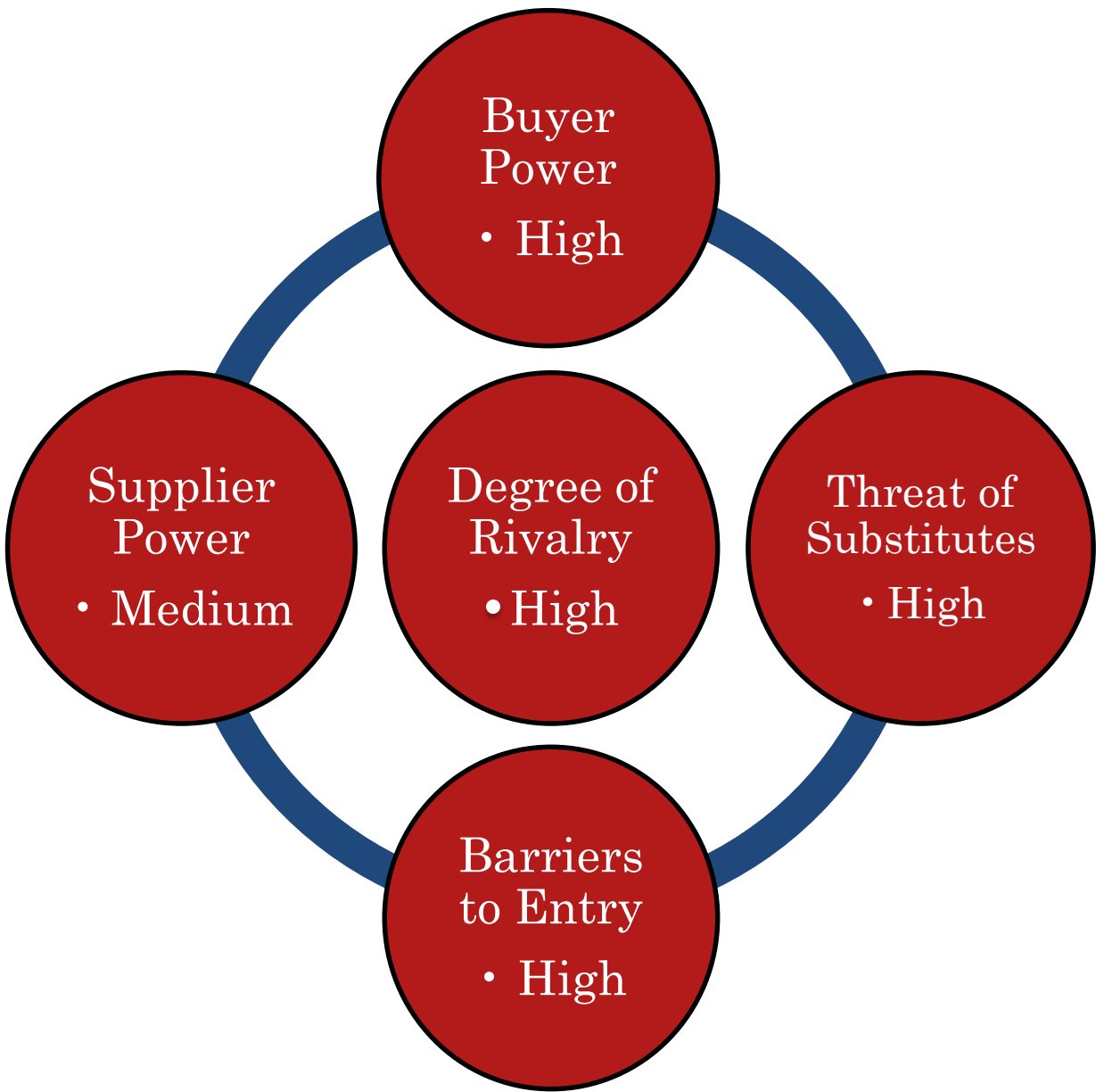
# Company Overview

- Mid-sized agribusiness firm
- Four corporate divisions
- Exceptional customer service
- Highly skilled employees
- **World-class research**





# Porter's 5 Forces





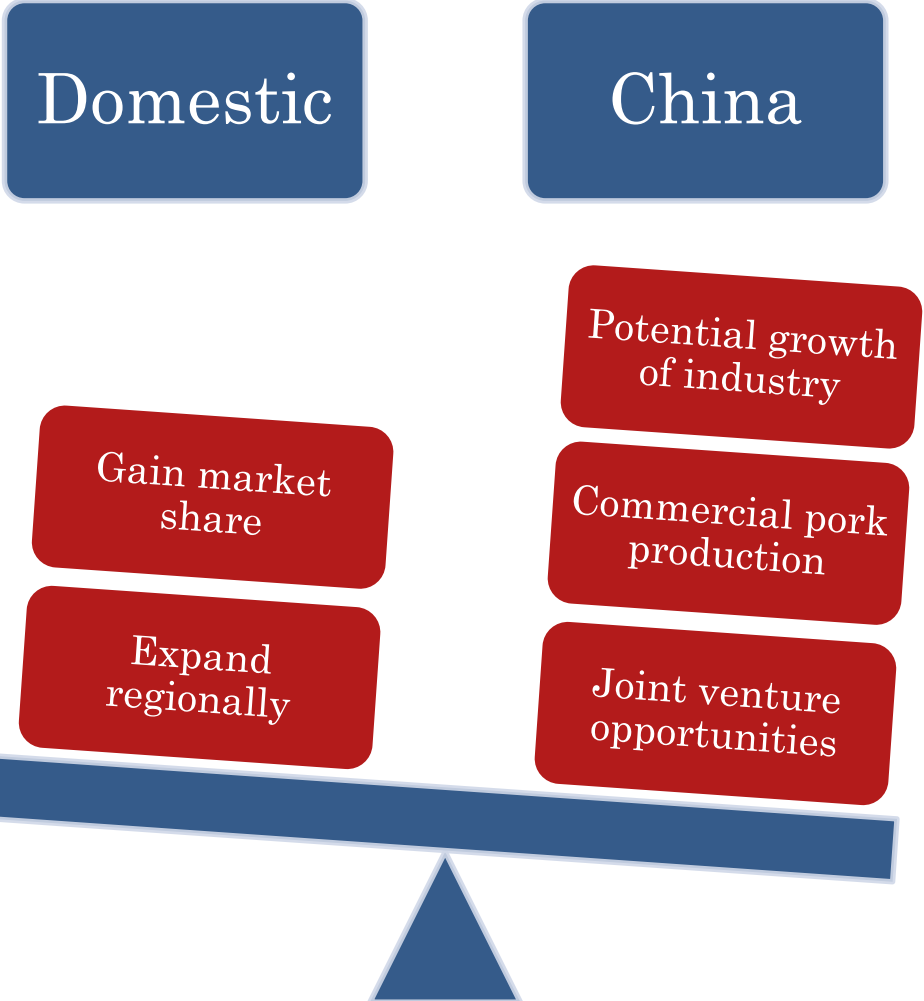
# SWOT Analysis

<b>Strengths</b>	<b>Weaknesses</b>
State-of-the-art research facilities	Relatively small player
Knowledgeable and reputable sales force	Major competitors are also customers
Relationships through joint ventures	
Efficient grain handling system	
<b>Opportunities</b>	<b>Threats</b>
Enormous Chinese market	Active innovation from other firms
Untapped geographic areas	Regulatory environment
Build upon existing relationships	Large competitors moving into core areas
Reconfigure Chinese business to focus on animal feeds	Substitutes, high buyer power, rivalry



# Objective

Where should managers focus their attention?



# Strategic Plan

## Domestic



# Domestic Opportunities

## Customer Relationships

- Markets served
- Family values

## Research and Development

- Profit driver currently and in the future
- Sell proprietary technologies to competitors

## Acquisition Based Expansion

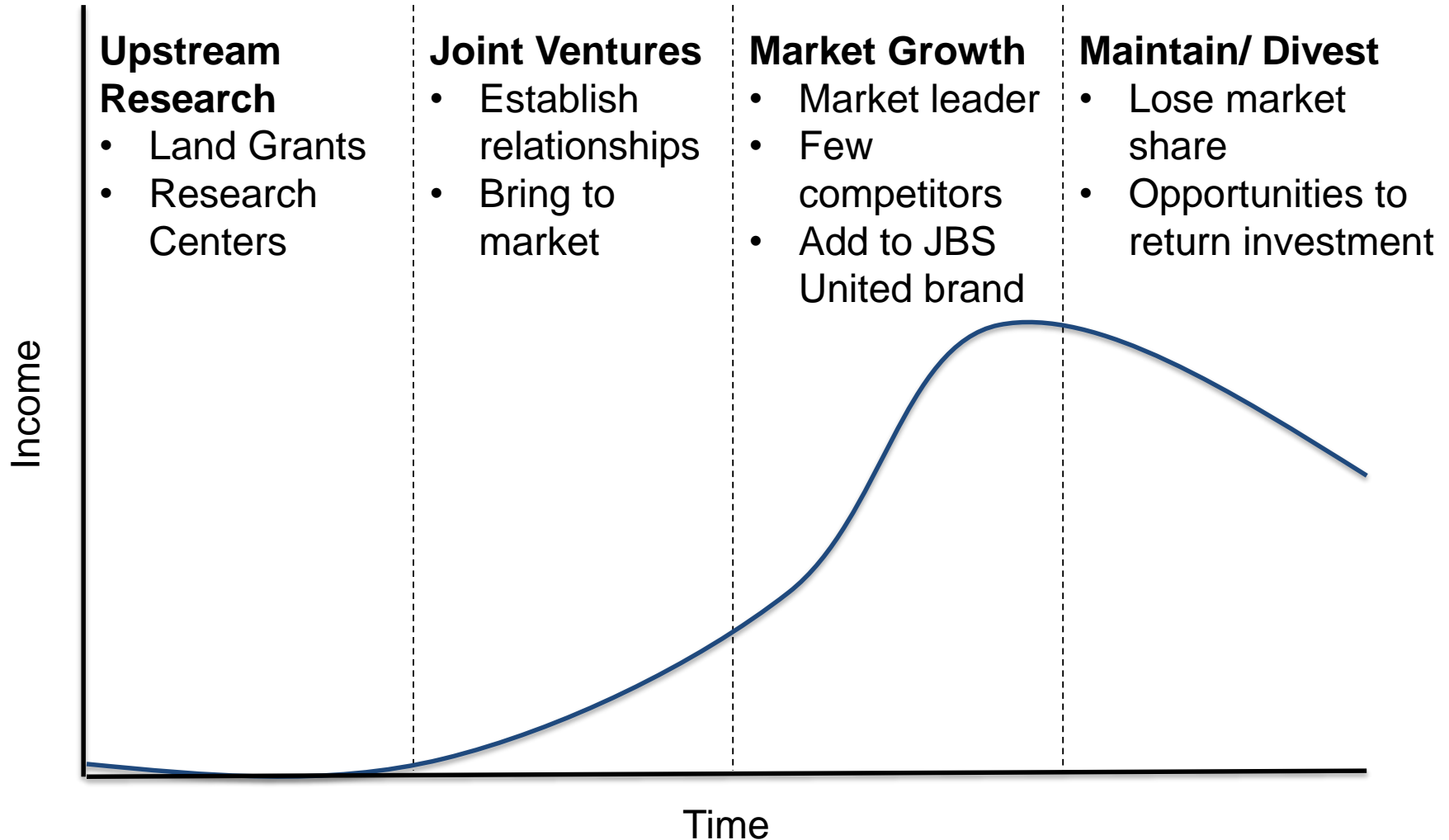
- Companies must fit JBS United's beliefs

*"That which does not adapt dies"*



# Nutrition and Emerging Technology

R&D platform is key growth driver...







# Grain Division

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- Maintain/Defend
- Concentration Ratio Top 4 Firms
  - 60% in 2000, increasing
- Maschhoff Model Opportunities



# Farm Division

- Raise pigs owned by others
  - Stable margins
  - Allows R&D to continue with lower risk
- Potential to Downsize
  - Conserve capital for R&D, new markets
  - Ability to shift managerial focus

# Strategic Plan

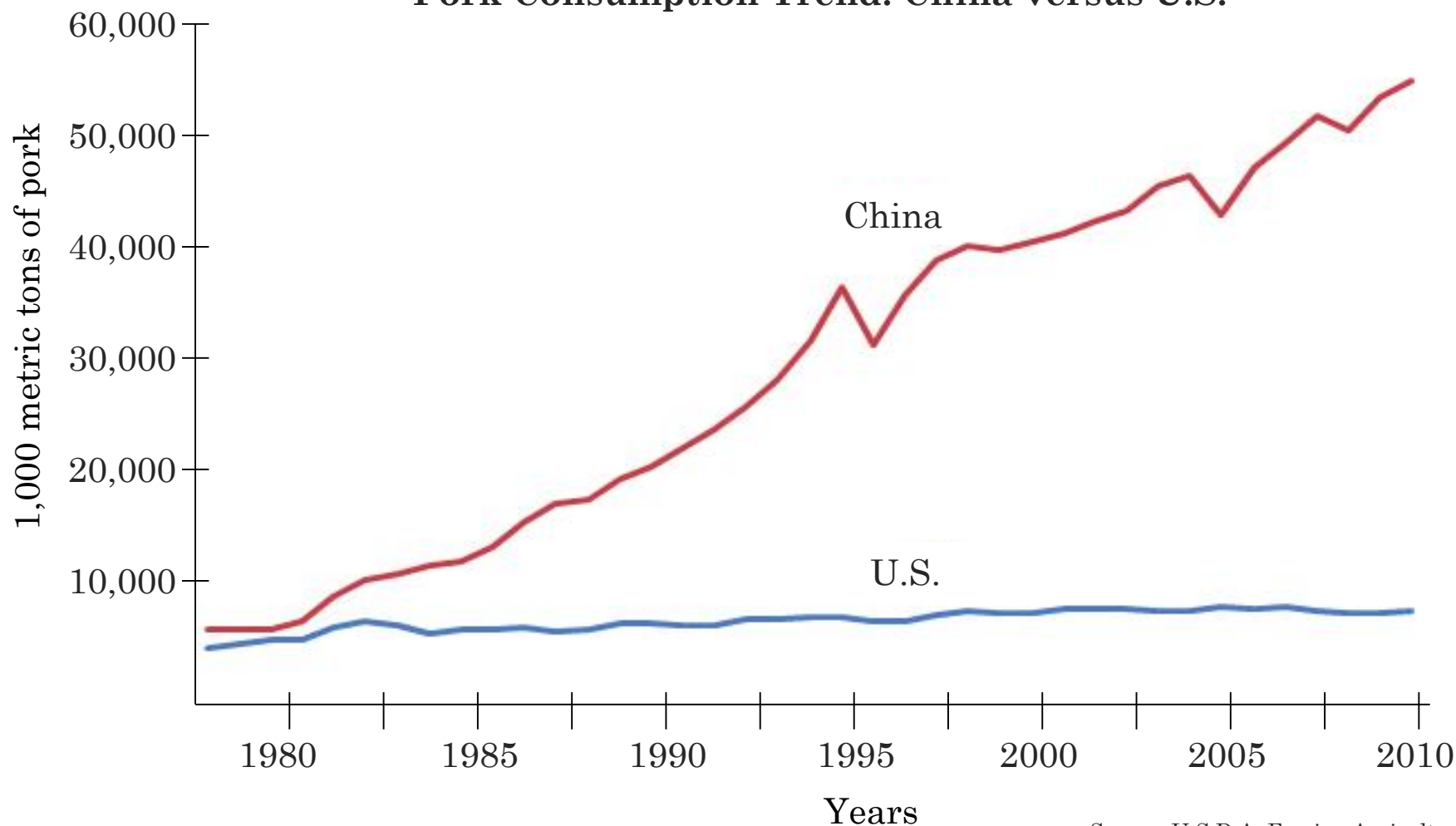
## International



# China: Largest Market... and Growing!

- Chinese consumption of pork is currently 6 times the U.S.
- Growth in Chinese consumption projected to continue

**Pork Consumption Trend: China versus U.S.**





# China: Domestic Pork, Imported Feed

- Relies on domestic production to meet growing demand for pork
- China, however, is global leader in feed imports

## China and World Pork Statistics at a Glance

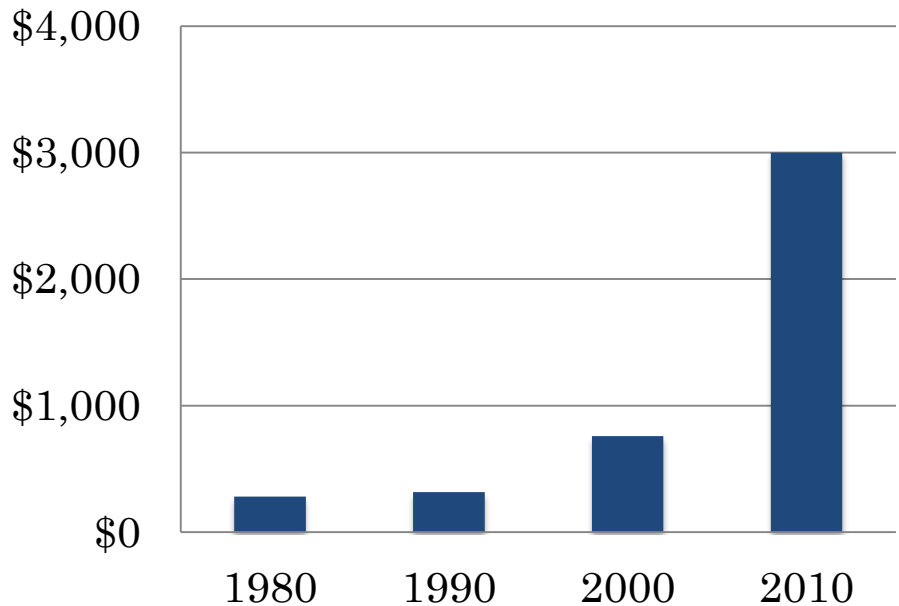
	China 2010	World 2010	China as % of World
Pork Production (100 metric tons)	50,000	101,507	49%
Pork Consumption (1,000 metric tons)	50,050	101,126	49%
Pork Imports (1,000 metric tons)	350	5,645	5%
Soybean Imports (1,000 metric tons)	61,000	96,000	64%



# China: Shifting Dietary Patterns

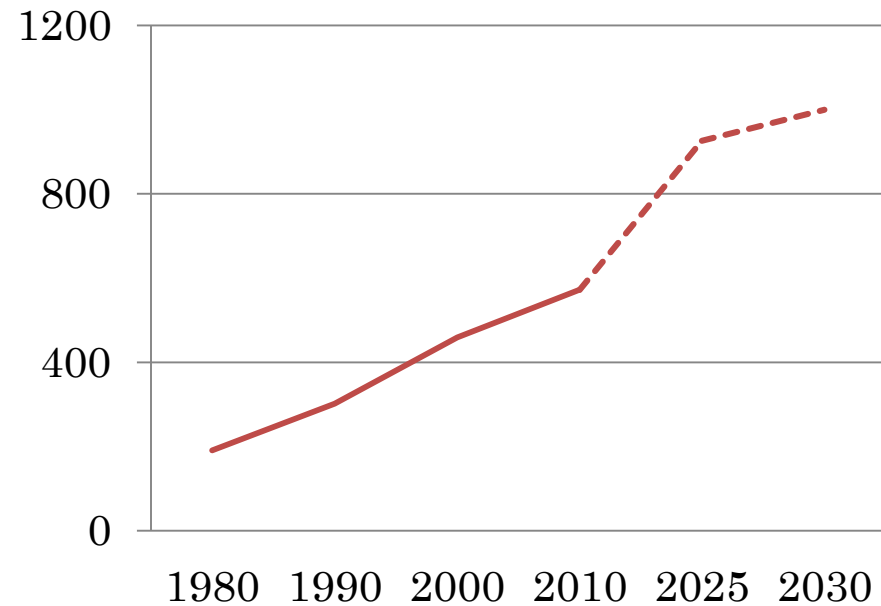
- Rapid urbanization and a growing middle class will significantly increase demand for meat products

### China's Income Boom



■ Annual Disposable Income Per Capita, USD

### China's Rapid Urbanization

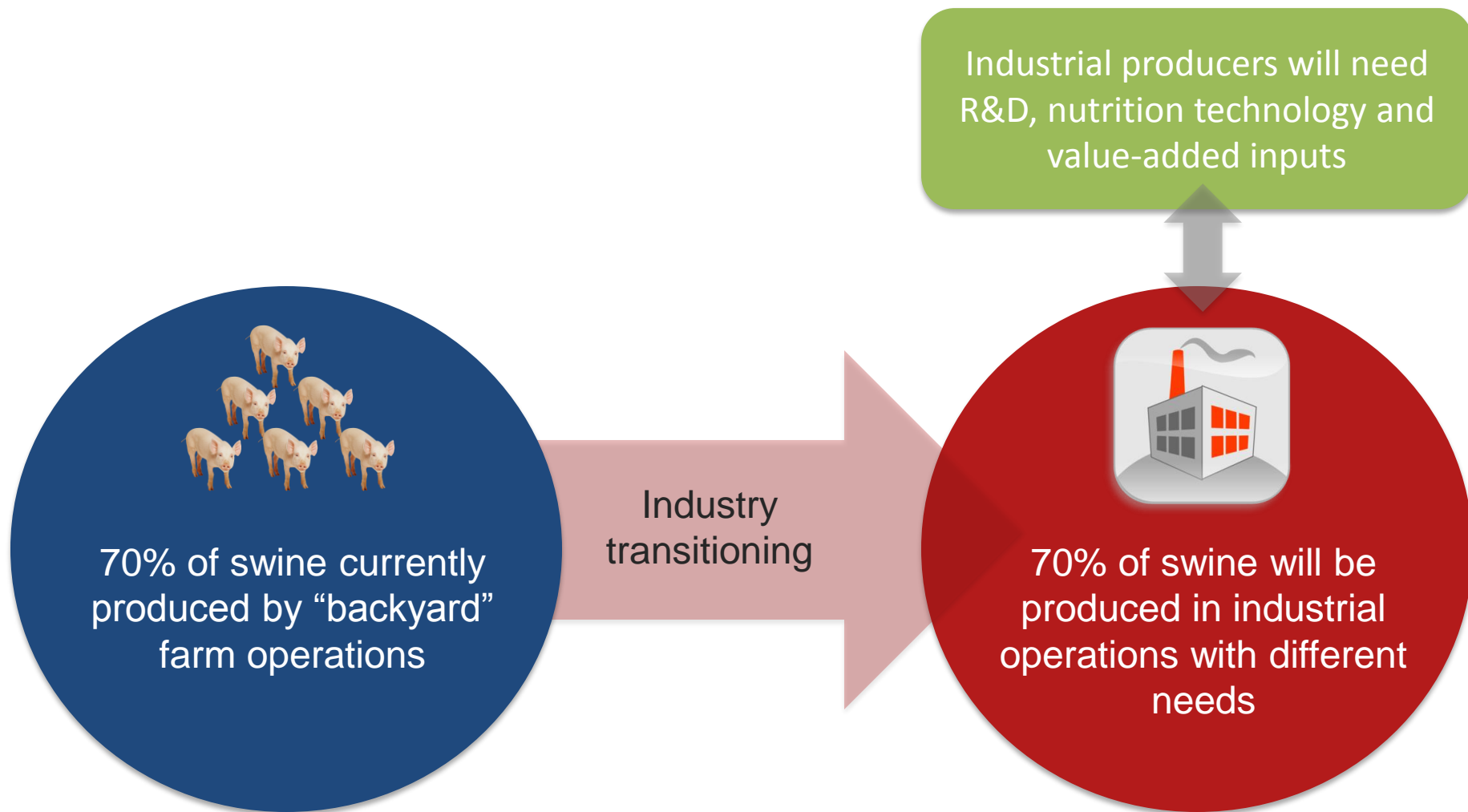


— Urban Population, in Millions



# Shifting Production: Backyard to Industrial

- Chinese swine production is becoming increasingly more industrialized in response to rapid demand growth
- New R&D needed that incorporates Chinese market nuances





# Three-Staged Expansion Strategy

- JBS uniquely positioned to provide Chinese industrial producers value-added R&D

## 1 Measured Expansion

- Identify new partners and/or grow existing joint ventures
- Build management capacity or poach executives from competitors

## 2 Capitalize on Near-Term Opportunities

- OptiPhos and Ovugel are ripe for China launch and can add immediate value
- Identify new areas for growth and expansion (e.g. starter & nursery rations)

## 3 Optimize Capital Structure for Healthy Growth

- Raise low cost financing to fund Chinese market expansion (e.g. OPIC & FAS)
- Properly align Chinese JV partners and new executives with profit sharing incentives



Thank you

Questions?