Company Overview

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

Pie chart showing:
- Farm Division 31%
- Nutrition and Emerging Technologies 38%
- Grain Division 30%
- Corporate Support 1%
Porter’s 5 Forces

- **Buyer Power**
  - High

- **Supplier Power**
  - Medium

- **Degree of Rivalry**
  - High

- **Barriers to Entry**
  - High

- **Threat of Substitutes**
  - High
## SWOT Analysis

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

Where should managers focus their attention?

Domestic
- Gain market share
- Expand regionally

China
- Potential growth of industry
- Commercial pork production
- Joint venture opportunities
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”
R&D platform is key growth driver...

- **Upstream Research**
  - Land Grants
  - Research Centers

- **Joint Ventures**
  - Establish relationships
  - Bring to market

- **Market Growth**
  - Market leader
  - Few competitors
  - Add to JBS United brand

- **Maintain/ Divest**
  - Lose market share
  - Opportunities to return investment
Grain Division

- 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.

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

<table>
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<th>China 2010</th>
<th>World 2010</th>
<th>China as % of World</th>
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<tbody>
<tr>
<td>Pork Production (100 metric tons)</td>
<td>50,000</td>
<td>101,507</td>
<td>49%</td>
</tr>
<tr>
<td>Pork Consumption (1,000 metric tons)</td>
<td>50,050</td>
<td>101,126</td>
<td>49%</td>
</tr>
<tr>
<td>Pork Imports (1,000 metric tons)</td>
<td>350</td>
<td>5,645</td>
<td>5%</td>
</tr>
<tr>
<td>Soybean Imports (1,000 metric tons)</td>
<td>61,000</td>
<td>96,000</td>
<td>64%</td>
</tr>
</tbody>
</table>

Source: Feeding China’s Pigs, Institute for Agriculture and Trade Policy, May 2011
China: Shifting Dietary Patterns

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

China’s Income Boom

China’s Rapid Urbanization

- Annual Disposable Income Per Capita, USD
- Urban Population, in Millions

Source: China Market Research Group
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

70% of swine currently produced by “backyard” farm operations

70% of swine will be produced in industrial operations with different needs

Industrial producers will need R&D, nutrition technology and value-added inputs
Three-Staged Expansion Strategy

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

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

Questions?