

High on the Hog

JBS United Helps Bring Better Food to Animals, Consumers

By Matt L. Ottinger

Traveling down State Road 38 through rural Sheridan, a driver might notice tall farm structures towering over a modern office building. And next door lies what appears to be an 8-foot by 10-foot storage shed. It's no shed, however. That is actually the office that JBS United, Inc. (known then as United Feeds, Inc.) founder John Swisher first operated out of when he opened his feed business in 1956.

The company has grown from its two-person operation back when Dwight Eisenhower was president and Oscar Robertson was king of the basketball court at Crispus Attucks. In fact, this underdog company that began with \$25,000 borrowed from family members has turned into a 400-person operation overseeing eight grain facilities with storage for more than 20 million bushels, serving customers throughout the United States and Asia.

An evolving industry

Like many businesses, the feed nutrition business is a far cry from what it once was. Through various consolidations emerged just a handful of prominent industry participants in today's marketplace, according to Swisher.

"This industry used to be dominated by big companies with byproducts – companies like Quaker Oats and Purina," he says. "But now we're competing with the BASFs (the huge German chemical company) of the world. There are about five significant feed companies left in the feed business."

Because of this, the demographics of JBS's customers have changed.

"The consolidation of the industry means fewer larger customers," explains Doug Webel, COO of nutrition and emerging technologies. "That means we have to travel further to reach them."

Another key concern for the business is energy challenges, primarily the current fluctuation in corn prices.

"There are some big changes because of the ethanol industry," Swisher offers. "Two years ago, corn was \$2 a bushel; now it's \$7 a bushel. It's running people out of the hog business, and now we're in there pushing to compete."

John Corbett, managing director, explains the time fluctuation in the market can pose a problem for the ill-prepared.

"When corn jumps in price, it takes 18 months before the meat price goes up," he says. "It takes capital and courage to finance that lag time; big losses can occur for producers until the

What's in a Name?

- U: Unified
- N: Nutrition
- I: Innovative
- T: Technological
- E: Experienced
- D: Dedicated



JBS United's (from left, around table) Mike Shingler, John Corbett, John Swisher and Doug Webel discuss their company and the trials and successes of competing in a changing feed industry. This 8-foot by 10-foot structure served as Swisher's office when he founded the Sheridan company in 1956.



JBS's onsite facility houses many of its feed products ready for shipment. The company has research facilities in Frankfort and Sheridan, and a pig genetic-nutrient management facility in Gridley, Illinois, that's used to conduct research on optimizing protein deposition.

market adjusts. It takes time for the supply and demand to catch up."

Phosphorous product 'second to none'

One of the most acclaimed technological developments for JBS has been its product, OptiPhos®, which helps pigs metabolize phosphorus and was approved by the U.S. Food and Drug Administration in 2005.

"We believe OptiPhos® is the best product on the market, and it has about a 15-20% market share," Webel asserts.

Phosphorus is a key element in pig feed because it helps bone and muscle development, and it helps pigs utilize energy. Yet pigs can't digest phosphorus from pure feed grains because they lack sufficient levels of the enzyme phytase. JBS's research suggests most of the phosphorous from feed grains is simply excreted as waste back into the environment.

Not only do pigs and poultry have trouble digesting phosphorous, but those in the industry are having a difficult time digesting the costs. Prices have soared from \$200 a ton to \$1,100 in a matter of just a few years, straining those in the feed industry. JBS contends OptiPhos® can create savings of \$5.50 per ton of feed consumed (the U.S. swine market consumes about 46 million tons of complete feed per year and the poultry market uses over 70 million tons, according to JBS's research).

"Phosphorous is the third most expensive component in feed (behind corn and soy)," says Webel, explaining how the savings are realized. "We're replacing that ingredient, so there's a direct savings right there. Then we're also increasing the quality of the overall feed, which gives more value to the user."

Innovation is key

Not only is technology central to its industry, but so is adaptation to current trends, including the latest surge of environmental concerns.

"The green movement is significant in our industry," Webel offers. "About 5-10% of the chickens in the United States are antibiotic-free. We think (the movement) will become more significant; we're in a good position for that market, and our microbial products are currently being used to feed some of them."

Adaptation requires a diversified staff and a focus on research and development, something management stresses as being a key to the company's success.

"One challenge is continuing to be innovative," Corbett surmises. "If you don't have qualified thinkers, the competition will surpass you. This business also has a long lead time for technologies due to regulation, and it could take six years to bring a product to market."

It's the emerging global market that has JBS working to expand its horizons – and its reach.

"We have a learning curve in the global marketplace," Corbett notes. "We're working to build alliances and reach those customers."

He adds that the world can indeed benefit from companies like JBS.

"If you went to Africa today and bought a chicken, there would be no comparison (to what you'd find in America) in terms of size, tenderness and safety," he asserts. "The industry is also constantly evolving. If you compare computers from the 1980s to today, the same rate of change has taken place in animal nutrition."

According to Webel, it's the partnerships that are instrumental to keeping the industry thriving into the future.

"Partnerships are a key part of this business," he says. "We've found smaller companies that we can partner with to bring new technologies to the market. We're finding that the larger companies are taking this same strategy."

"We make sure the animals are comfortable and healthy," Corbett adds. "They need medicine just like people, and we look for natural solutions."

JBS United, now employee owned, has a staff of 400 throughout the United States at more than 20 locations, a joint venture in Chicago and a sales office in Costa Rica. Indiana production farms are located in Sheridan, Frankfort, Morristown, Crawfordsville, Logansport, Royal Center, North Vernon, Tell City and Westport.

INFORMATION LINK

Resource: JBS United at (800) 382-9909 or www.jbsunited.com