

Beefed up

## The world's largest meat company is Brazilian, but mostly operates abroad

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JBS STARTED IN 1953 as a butchers founded by José Batista Sobrinho in Anápolis, a city in Brazil's central state of Goiás. The firm expanded initially thanks to a fast-growing Brazilian economy and more recently by acquiring other companies. It is now the world's largest meat producer. In 2010 it had revenues of 55 billion reais (\$31 billion), only a third of which were from its operation in Brazil.

The JBS plant at Lins, 450km from São Paulo, is one of the firm's largest and employs 5,000 people, working two eight-hour shifts. Inside teams of butchers fillet and trim the carcasses that arrive on a conveyor belt, tossing the cut meat into plastic-lined trolleys. Much of the raw beef is cooked and canned at the plant. It is first ground into mince and then steamed and rotated in an oven angled like a cement mixer so that the juices run off. Fat, salt, sugar and colouring are added to

the half-cooked mix before it is canned. The cooking is completed at high temperatures in the cans which are then dried and labelled. The market for this sort of processed meat is global: the plant supplies canned meat for Princes, a British firm, as well as beef toppings for pizza parlours in Belgium and Holland.

Fresh meat is a different matter. Brazilian companies like JBS are banned from exporting it to America for fear of foot-and-mouth disease. This is one reason why in 2007 JBS bought Swift, then America's biggest beef processor, based in Colorado. Two years later it purchased Pilgrim's Pride, a Texan chicken producer. The deals were in part opportunistic: both companies were in financial trouble and JBS was able to raise money quickly, some of it in Brazil's equity market. But they also gave JBS a presence in and access to the American market. That in turn allowed it to export to Japan and other Asian markets from which it had previously been shut out.

Like other emerging-market firms, JBS found it cheaper to buy brands than to build them. A fleet of small vans sporting the Swift logo sells fresh meat in the area around the Lins factory. The firm is also launching a branded range of high-quality steaks. JBS already sells fresh beef from Brazil to the European Union under the Hilton quota scheme, which cuts import tariffs on meat produced to a high standard. JBS buys 2,500 Hilton-grade cattle each year from Edson Crochiquia's Santa Isabel farm, an hour or so from Lins. It is his only customer and sends inspectors to the farm four times a year to monitor the cattle's food and board.

Because freshness is vital to high-quality food, jobs at food-processing firms cannot easily be shifted to wherever labour costs are lowest. "You have to be where the cows are," says Wesley Batista, one of the founder's sons, who runs the firm. As it happens, the cost advantage is shifting towards the firm's rich-world operations. The strong real makes it more expensive to export from Brazil and the weak dollar is a boon to the American arm. America has other advantages, too. Taxes are simpler and the jobs market is much slacker than in Brazil. "There are more people available who have the right skills and are well-educated," says Mr Batista. Moreover, it is now easier to persuade senior staff to move from Colorado to Brazil than the other way around—another sign of a world turned upside down.