



Where JBS Began and A Look at Where We're Going

JBS Founder Started With One Cow Per Day

JBS Trajectory Marked by Acquisitions

José Batista Sobrinho, known as Zé Mineiro, entered the meat business in 1953, when he opened a small butcher shop in Anápolis (Goiás).

Attracted by tax incentives, Zé Mineiro settled in Brasília in 1957. In the years that followed, he began the acquisitions that would transform Casa De Carnes Mineira (Mineira Butcher Shop) into JBS, the leading meat producer in the world today. At age 78, Zé Mineiro still closely follows the business of JBS – the company name taken from his initials.

A Look Back

I left Alfenas, in southern Minas, when I was 12 years old, when my father moved us to Anápolis, Goiás. After I left to join the Army, I worked with my brother, partnering to start in the cattle

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Batistas Reach Top of the World in Chicken, Too

Those who visit JBS S.A. headquarters in Tiete, São Paulo, will see fiber-glass cow sculptures almost everywhere they look – more than 20 of them, scattered from the main gate to CEO Wesley Batista's office.

Nothing could be more fitting.

After all, JBS has evolved from a small butcher shop in Goiás in 1953 to the world's largest beef supplier, with a revenue of more than 70 billion Reais in 2012. One out of every 10 slaughtered head of cattle on the planet is processed in a JBS facility.

But beef isn't all that the Batista family does well. They have also reached the top of the chicken business.

Though JBS bought Pilgrim's Pride just a short three years ago (at a price of \$2.8 billion), the company became the world's largest chicken supplier in August.

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business. It worked. We bought and sold cattle, but I knew nothing about cattle weights. Back then, you bought a steer for X and sold it for Y. We never talked about its weight.

One day, we bought a large herd and we weren't sure of the weight of the steers to sell. That's what led us to slaughter cattle – so that we could know what their weight really was.

It's tricky when you're working with a commodity that's worth what it weighs, but you don't know what that end weight is. The first thing we did was open a butcher shop in Anápolis in 1953. I ran the butcher shop and my brother bought the cattle and sent them to me so I could slaughter them and sell the beef.



José Batista Sobrinho, center, is shown in this 1973 photo. JBS takes its name from his initials, though many know him by his nickname, “Zé Mineiro.” The nickname comes from the area where he lived as a child — Minas Gerais — similar to calling your cowboy friend from Texas “Tex.”

Since the region didn't have a lot of cattle for sale, he had to go farther away, to Goiania, to buy more and better quality cattle for me to slaughter. I started to offer meat to other butchers, but back then I just slaughtered one steer per day on my own.

So I started to use a small slaughterhouse that was owned by the city. It was quite a precarious operation, but again, it was all we had. Within 30 days, we were slaughtering 25-30 steers per day and became the main supplier for Anápolis. It was there that I got the nickname Ze Mineiro, and until 1957, this is where I slaughtered all of the cattle we bought.

Change

Brasilia was on the verge of change in early 1955 and the city experienced a “boom” in 1956. By 1957, things were quite busy. President Juscelino (Kubitschek) called on the population to help build Brasilia, and offered incentives to anyone who could help the city grow – from employees to suppliers, all segments. They offered suppliers four years with no taxes. It was a good

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The milestone came when Doux Frangosul in Rio Grande do Sul – leased by JBS in May of this year – reached its maximum capacity. JBS now has a slaughter capacity of 8.5 million birds per day, which beats the Tyson Foods average of 8.4 million per day, according to Tyson's balance sheet.

“This is already a business of more than 18 billion Reais for JBS,” Batista, 42, says. In 36 months, the poultry sector now represents 25 percent of company revenues. In five years, Batista estimates that number will be up near 40 percent.

“There is a lot of opportunity in the poultry business,” Batista says. “We have received many offers, but our focus now is to get Doux Frangosul running efficiently.”

That may not be a such simple task. The Brazilian operation of Doux Frangosul, founded by French businessman Charles Doux, was on the verge of bankruptcy when JBS inked a 10-year lease on the industrial units of Montenegro Passo Fundo, Rio Grande do Sul and Caarapo in Mato Grosso do Sul.

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move – potential consumption was great.

There were many people coming in who had nothing. I rushed to Brasilia to sell meat there. I had no money to buy a slaughterhouse in Brasilia, so I went back and forth from the Cerrado (the plains), buying and killing cattle. It was the only way I could get it done. Cattle spent 15 days traveling on foot. When they arrived, I began to slaughter them in the Cerrado, improvising to find ways to get the meat to market in Brasilia.

Things then began to change, and Brasilia was beginning to get meat from other places. The complexity of the slaughterhouses was also changing. This is when I built a boning room and the slaughter conditions were improving. I was no longer on the kill floor. Instead, I worked as a salesman, supplying customers with the beef they needed. I started doing sales in 1957 and continued until 1965 or 1966.

In 1969, I bought the first packing house to earn an SIF (federal inspection seal) in Formosa (Goiás). Until then, it was OK for the beef that came from Brasilia not to be federally inspected, but after that, it became a requirement.

Family

From then on, things just kept moving forward. My children were also growing and taking over the business. Junior, my eldest son, helped me a lot in Formosa. Wesley (the current CEO of JBS) later took over a packing house in Luziania (Goiás). He was about 14 or 15 years old at the time.

After the Luziania plant, which processed 260 head per day, we bought a plant in Anápolis that processed 1,200 head a day. Later, we bought Barra do Garças (Mato Grosso), then Goiania and so on. The company was growing.

Today, I am more involved in the livestock part of the business, which is more calm, quiet. Today's market requires a lot of meat, and I help out with the farms and the feedlots.

The business remains a family affair. I have six children – three men and three women – and they all work with us. This gives me good peace of mind.

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Doux had tried twice to sell the company – including assets in France – to the Batista family. But the conversation didn't evolve. In January this year, Doux offered only the local Brazilian business in a final attempt to prevent bankruptcy.

It worked.

"Having JBS lease Doux Frangosul's businesses had a positive impact on the industry," said Ricardo Santin, director of the Brazilian Poultry Union. "It solidifies the industry by keeping the third largest Brazilian producer active and lends stability to the whole chain."

JBS hired KMPG, which just finished an audit at Doux Frangosul, to decide whether it will exercise its purchase option. "So far, we have found liabilities of more than \$1 billion Reais. We will have to do a restructuring of the debt," Batista said. "We need to arrive at an understanding with the creditors."

Batista is concerned with the leverage of JBS – which is, at 4.27 times its net cash generation, considered the highest in the industry. The poultry business looks promising, Batista said. Although U.S. chicken operations saw losses of \$496 million last year, the industry rebounded in the first six months of 2012, posting earnings of \$109 million.

With Doux Frangosul, the group will add another \$1.5 billion Reais to its annual revenue. While that represents just 2 percent of JBS's revenue, that number is far above the earnings posted by the vast majority of Brazilian companies.

