MediaRoom

Kemin and U.S. Embassy in China Host "Vertical Integration and the Transformation of U.S. Agrifood Businesses" Forum in Beijing

BEIJING, May 9, 2018 /PRNewswire/ -- This week, Kemin Industries and the U.S. Embassy in China jointly held the forum, "30 Years of Experience: Vertical Integration and the Transformation of U.S. Agrifood Businesses," to discuss changes in the Agrifood industry.

Entrepreneurs and experts from Tyson, Smithfield, American Agricultural Statistics Corporation and Kansas State University spoke at the conference. They talked about their experiences over the past three decades during the transformation of the industry's vertical integration in the United States, its history and trends. More than 60 top producers from China's feed and animal production businesses participated in the conference.

Dr. Chris Nelson, President and CEO, Kemin Industries, delivered the conference's opening remarks, which included a summary of animal husbandry in the U.S., making the industry understandable and relevant to the Chinese entrepreneurs in attendance.

"China's feed and animal production industry is facing unprecedented challenges today. These challenges not only come from increased government and consumer concerns on environmental protection and food safety, but also from the strategic choices businesses have to make today to survive and prosper in the future," said Dr. Zhilin Gan, President, Kemin Animal Nutrition and Health, China, in his welcome speech.

"Businesses in Europe and the United States faced similar challenges some 30 years ago. We are very excited to have experts from Smithfield, Tyson, Agri Stats Corporation and Kansas State University to share their experiences and stories with us."

How Feed Milling and Manufacturing Changed from Independent to Company-Owned Vertically Integrated Operations

Dr. Charles Stark, professor at Kansas State University, shared with his Chinese audience how commercial feed mills changed from selling feed for profit to delivering nutrients to animals for optimal meat/milk/egg production.

"Today, as part of integrated businesses, the focus of feed mills has changed from emphasizing quality based on customer perceptions to quality based on animal performance," said Dr. Stark.

How Swine Production and Processing Became a Business Through Vertical Integration

Dr. Terry Coffey, Chief Science and Technology Officer, Smithfield, reviewed the development of the U.S. hog industry and showed participants the innovations Smithfield has made over the past three decades. Smithfield now operates across the entire food value chain, starting from genetic breeding to end-user consumption.

In his lecture, Dr. Coffey shared major challenges and solutions Smithfield faced during and after the integration process.

"Integration helps us deliver the quality and consistency demanded by today's consumer. It helped Smithfield establish a dominant position from production to value-added products. It also allowed Smithfield to better utilize feedback links to focus on system refinement and enhanced product value that cannot be achieved anywhere else in the pork chain."

Vertical Integration in the U.S. Poultry Industry

Dr. Bill Hewat from Tyson led the poultry section discussion.

"Today, approximately 35 USDA-inspected 'vertically integrated' companies raise, process and market chickens. About 95 percent of broilers are produced on 25,000 contract family farms. Tyson accounted for 20 percent of total broilers produced in the United States," he said.

Tyson's experiences indicate that with "one profit center and multiple cost centers," vertically integrated businesses not only have an immediate advantage through the economies of scale, but also a different philosophy in optimizing profits.

"With the profit of final product in mind, some cost centers may elect to produce costlier or less-efficient products. With one profit center, goals are consistent throughout the organization," said Dr. Hewat.

The Development of the Modern Broiler Integration: Successes and Challenges in Production,

Efficiencies and Costs of Production

In his speech, Michael Donohue, Vice President, U.S. Agri Stats Corporation, explained how, after the development of modern U.S. broiler companies, chicken production and consumption in the United States greatly improved. Donohue presented some of the critical key performance indicator changes in the broiler industry in the last 30 years.

The U.S. Ambassador to China, Terry Branstad, joined the speakers and Chinese guests at the reception at the U.S. Embassy.

About Kemin Industries

Kemin Industries (www.kemin.com) is a global ingredient manufacturer with a focus on improving the quality of life for over 3.8 billion people each day with more than 500 specialty ingredients made for the human and animal health, pet food, nutraceutical, food technology, crop technologies and textile industries.

For over half a century, Kemin has been dedicated to using applied science to address industry challenges and offers product solutions to customers in more than 120 countries. Kemin provides ingredients to feed a growing population with its commitment to the quality, safety and efficacy of food, feed and health-related products.

Established in 1961, Kemin is a privately-held, family-owned and operated company with more than 2,500 employees globally and operations in 90 countries, including manufacturing facilities in Belgium, Brazil, China, India, Italy, Russia, Singapore, South Africa and the United States.

Media Contact: Jeremy Cheng, Senior Marketing Manager, Jeremy.Cheng@kemin.com, +86 21 6087 1964

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