

SURVIVOR

Bob Peterson, chairman of IBP, says survival in the food business means consolidation.

By Clint Peck
Associate Editor

There's no way anyone can build a fence tall enough or a wall strong enough to protect against the inefficient. That's the case Robert L. "Bob" Peterson, chairman and chief executive officer of IBP, makes in defending his company – and its size, structure and position in the meat business.

In today's global marketplace, Peterson says all food businesses will have to employ economy of scale, and like it or not, consolidation, to stay efficient and compete – let alone survive.

While Peterson doesn't shy away from using the word, he knows what consolidation means to cattle producers and feeders around the country, and he realizes the emotions the concept evokes.

"We didn't create 'consolidation' at IBP, but let there be no question that consolidation continues to be a major movement in the food industry," he says. "Those who fight consolidation in the food industry will not be able to compete in world commerce."

He points to the supermarket sector as an example of a historically fragmented industry that's moving toward consolidation. With the warp-speed entry of Wal-Mart into the number one U.S. food sales spot, 10 firms now account for nearly 56% of food sales.



"Without the beef checkoff we are all walking in deep, deep mud."

In 1990, the top 10 supermarket players generated only 30% of U.S. food sales. By all projections, the leading players will continue to grow and act in an even broader marketplace.

Food production systems in countries like Argentina, Brazil and Australia are consolidating. They're poised to use efficiencies gained through consolidation to compete against U.S. producers.

"They will not only compete with you in domestic markets, they will compete with you in international markets," says Peterson. "You will have to compete as we go forward."

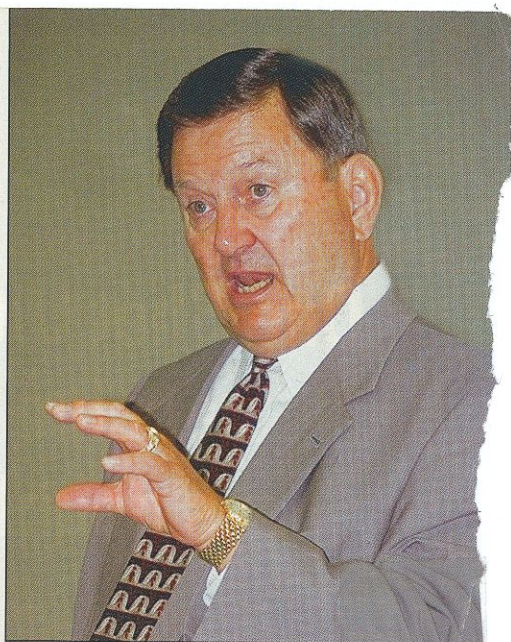
Don't think for a minute that things are standing still at IBP. Vertically and horizontally, the company is poised to compete with anything on the radar screen. IBP has its goals and is mapping the route to reach them.

Peterson says one of the biggest tasks today at IBP is improving the shelf life of beef. The other priority is to establish IBP as a leader in branded, valued-added beef products.

Killing those two birds with one stone, IBP this spring unveiled "Thomas E. Wilson" as its new consumer brand. The new label represents a move by IBP toward brand name, consumer-ready products, such as steaks, chops, roasts and ribs.

Thomas E. Wilson is the single greatest initiative IBP has undertaken since the introduction of boxed beef, Peterson says, the innovation that dramatically changed the industry in 1967.

Thomas E. Wilson packaged beef and pork cuts come ready for retail grocers to place directly into the meat case. There's no



"Given today's global market and the costs of branded product initiatives, three or four big beef packers will be more competitive and better for you than a bunch of little ones."

further work. Beginning this summer, the company is test marketing the first line of Thomas E. Wilson fully cooked products.

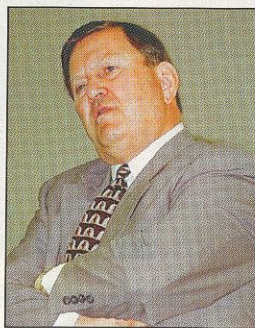
"Branding is an added step in building the consuming public's confidence in meat," Peterson says. "I want branding to skyrocket over the next five years."

He says IBP's ultimate goal is not only to process, package and distribute meat products to its customers, but

provide ready-to-eat meals. These are meals – complete with all the trimmings – that can be prepared and served in minutes.

This movement revolves around economy of scale, but the nucleus is convenience, according to Peterson. He points out that 70% of today's consumers don't know what's for dinner at 4:30 p.m., and 80% spend less than 45 minutes in meal preparation.

"Someday, we'll be able to cook a piece of meat a lot cheaper than a housewife can cook a piece of meat – and we'll have all the dishes washed for her," he says.



"We look at our cattle feeders as our partners – we can't run one hour without them."