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Bunge: 100 Years in Brazil Successfully overcoming a turnaround

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Abstract

Bunge turned 100 years in Brazil. An international Group with almost two centuries, and one century in Brazil, has overcome serious difficulties during the 90's. Alberto Weisser and his Top Management Team implemented a strategic shift during the 90's. The Brazilian operations of Bunge are a major contributor to the Group's revenues and show favorable prospects for growth. The agribusiness has received much attention during 2007/2008 due to the increased prices of the food products commodities but the Brazilian agribusiness is dependent on external forces, such as cambial fluctuation, economic stability, logistic infrastructures and international business relations. This case focuses on the strategic overhaul of the Group Bunge in Brazil.

Key words: Strategy, Agribusiness, Case Study.

Resumo

A Bunge fez 100 anos de Brasil. Este grupo internacional com mais de dois séculos de idade e um século no Brasil superou sérias dificuldades durante os anos 90. Alberto Weisser e sua equipe executiva implementaram uma mudança estratégica durante a década de 1990. As operações brasileiras da Bunge são muito importantes para os resultados do grupo e mostram aspectos favoráveis para o crescimento. O agronegócio recebeu muita atenção durante 2007/2008 devido ao aumento de preços das commodities. Mas o agronegócio brasileiro é dependente das forças externas, como a flutuação cambial, estabilidade econômica, infra-estrutura logística e relações de negócios internacionais. Este caso foca a mudança estratégica do Grupo Bunge no Brasil.

Palavras-chave: Estratégia, agronegócios, estudo de caso.

Foreword

The 90's brought difficult challenges for the Bunge Group. The Executives faced a huge dilemma: What do we have to do to turnaround and become competitive for the new global challenges? After four years of severe losses something had to be done.

Bunge just celebrated its 100 years in Brazil. A great achievement considering that the company faced many crisis throughout its history, the most recent during the 90's. According to Alberto Weisser, the firm's CEO, in the 100 years celebration speech, in São Paulo, July 9th 2005 "only those that are provident will turn 100 years. Bunge was born in Brazil with its providence and with great wish of helping to build the future. We believe that during this time we cooperated in a meaningful way to that. And our commitment is to follow on the development of the country".

The current prosperity of Brazilian agribusiness and Bunge Group's success, hide that the situation has not always been bright. Founded in 1818, Bunge is almost two centuries old and one century in Brazil, making it a distinct member of the small family of centenary organizations. During the 90's the Brazilian operations faced a large crisis and required a complete strategic overhaul. Alberto Weisser, the CEO, and his Top Management Team (TMT) took change in successfully implementing the turnaround. To proceed with the turnaround Bunge restructured its portfolio of companies and business. It sold off many of its operations and firms, streamlining its businesses and focusing on its core competence. The divestment from unrelated businesses was accompanied by the investment, through the acquisition of other firms. The strategy pursued was a success and the net revenue and profit are steadily growing year after year (table 1).

Table 1 – Bunge's worldwide financials

| US\$ (millions) | 1999 | 2000 | 2001 | 2002 | 2003 | 2004 | 2005 |
|--------------------------------|-------------|-------------|-------------|-------------|-------------|-------------|-------------|
| Vol. (million tons) | 40,8 | 60,0 | 71,6 | 86 | 106 | 109 | 119 |
| Net Sales (thousand US\$) | \$ 8,075 | \$ 9,667 | \$ 11,484 | \$ 13,882 | \$ 22,165 | \$ 25,168 | \$ 24,275 |
| Net Income (thousands US\$) | \$ (5) | \$ 12 | \$ 134 | \$ 255 | \$ 411 | \$ 469 | \$ 530 |
| Diluted earning per share | \$ (0.08) | \$ 0.19 | \$ 1.86 | \$ 2.63 | \$ 3.83 | \$ 4.10 | \$ 4.43 |
| Number of employees | 14,860 | 18,098 | 17,360 | 24,207 | 23,295 | 24,621 | 23,495 |

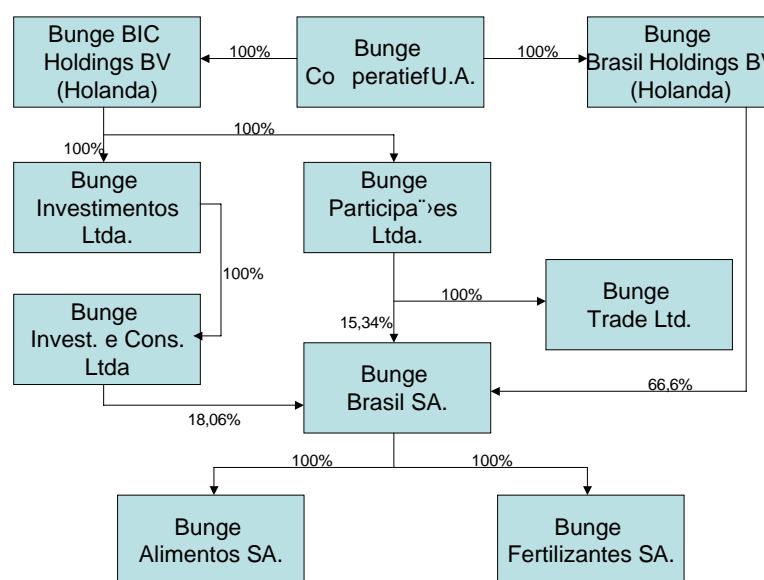
Source: Bunge Annual Reports 2001 and 2004.

Despite the good prospects, more challenges are yet to come as the recent spike in the food commodities suggest. Despite its world strength, the company's Brazilian operations are important and perhaps the major market for growth for the group's operations worldwide. Those challenges are not only

for the company, but for the Brazilian agribusiness as well. The agribusiness is dependent on several external forces that are largely uncontrollable by the company, such as cambial fluctuation, economic stability, infrastructure for logistics and international relations.

Currently, the Bunge Group (see figure 1) is a world leader in seed oil processing. In Brazil, Bunge has been a market leader in the production of soybean amelioration, fertilizers, margarine, vegetable alimentary oil, vegetable tallow and wheat. It is one of the largest exporters from Brazil, just after Petrobras and Companhia Vale do Rio Doce. And Bunge's future prospects look good.

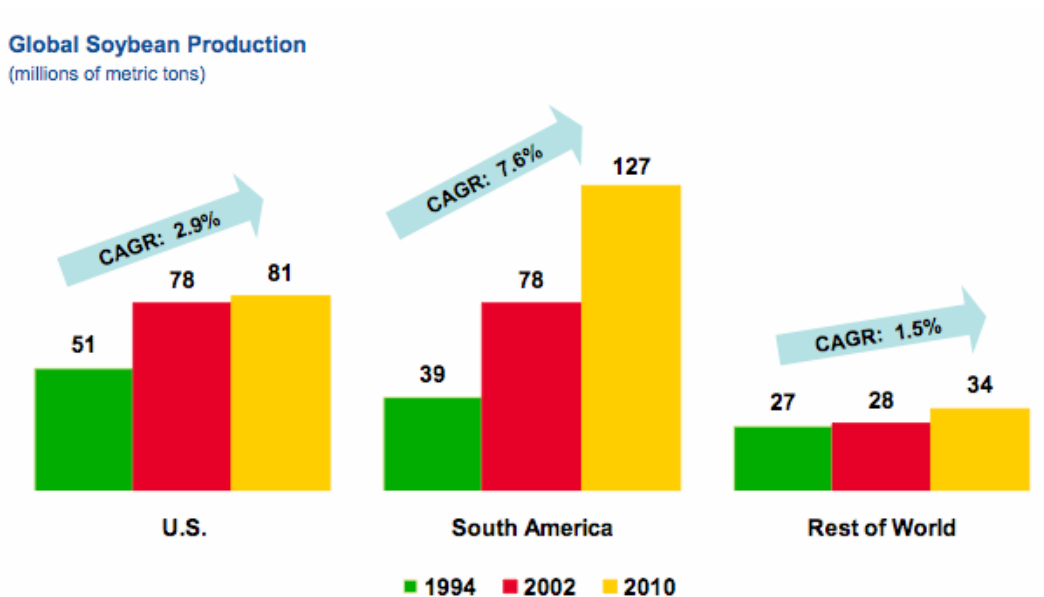
Figure 1 - BUNGE Group in Brazil – 2004



Source: Adapted from Valor Econômico.

To take advantage and prepare for the future, the Group is investing heavily in its Brazilian operations, and is expected to investment about US\$ 1.3 billion, mainly in logistics. According to Weisser, "Brazil represents the great potential of growth in agribusiness around the world. That is why it is strategic for us". Figure 2 depicts the estimated market growth for soybeans and it becomes apparent the extraordinary expected growth in South America. Notwithstanding, other agri-commodities are expected to have also a large increase.

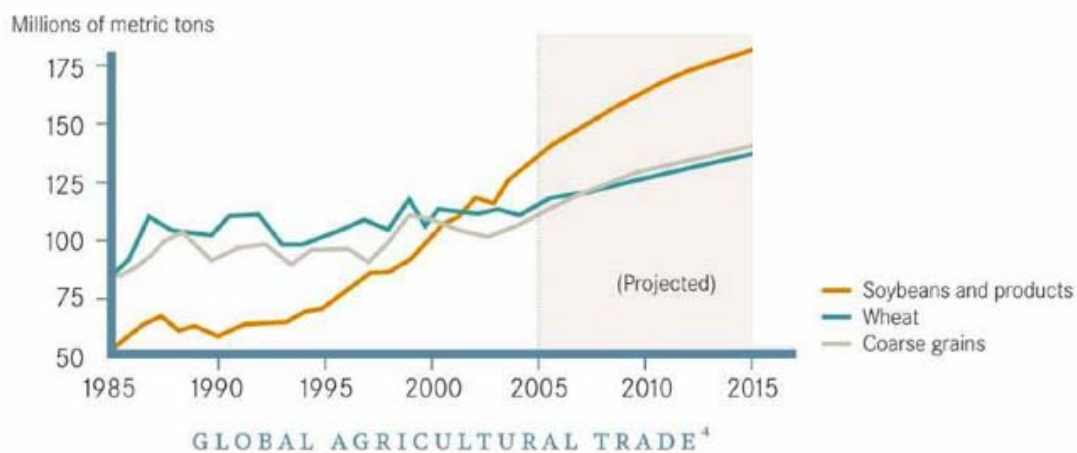
Figure 2 – Market opportunity on Soybean



Source: Company documents and USDA

More generally, Bunge is now excellently positioned in the food market. This is a market that is expected to grow substantially over the next few years, as the projections show (see figure 3)

Figure 3 – Global agricultural trade (1985-2015)



Source: Company documents and USDA

Having overcome successfully the turnaround, Bunge emerged stronger. But there will be other challenges in the future for a company that made it several times in the past: how to become the first global player of the future?

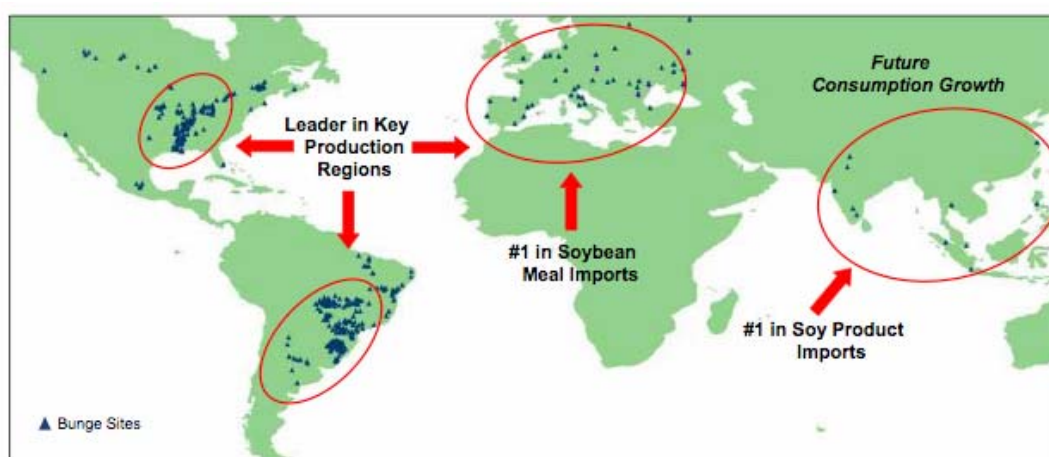
The Group Bunge Worldwide

Bunge was founded in 1818, in Amsterdam, The Netherlands. Originally named as Bunge & Co by a German merchant, Mr Johannpeter Bunge, the company was focused on selling products and cereals created in the Dutch colonies. From then on, the company has made multiple strategic and market shifts. Has changed the location of its headquarters several times throughout its history - first to Rotterdam, and in 1859 to Antwerp, in Belgium. In 1884, founder grandson, Ernest Bunge, moved to Argentina, and created Bunge y Born, with other partners, in order to participate in the country's grain exports. Later, in the 1970s Bunge's headquarters were moved to São Paulo, Brazil, perhaps its foremost foreign operation.

Bunge has grown substantially its operations worldwide and diversified tremendously. In the 1980s it expanded into the textiles, paint, chemicals, cement, banking, insurance, and real estate. It required a new leadership after four years of losses to initiate in the 1990s the restoration of the firm's roots in the agribusiness and food.

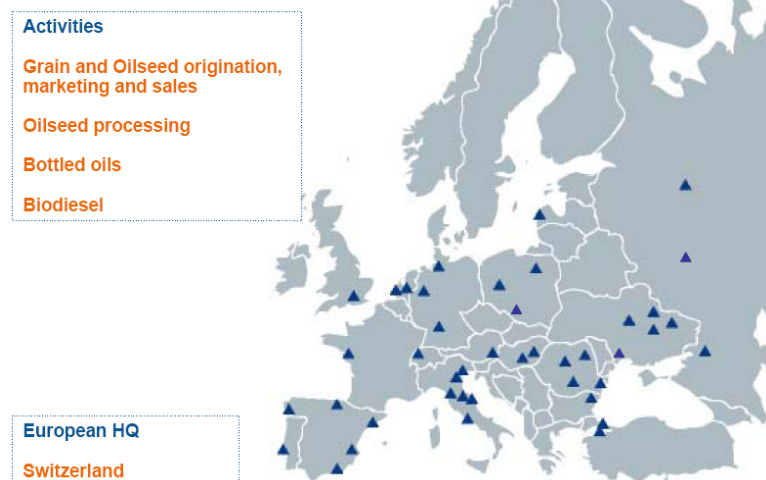
Bunge is present in over 30 countries: Argentina, Australia, Austria, Brazil, Bulgaria, Canada, China, Spain, USA, France, Germany, Hungary, India, Indonesia, Italy, Latvia, Mexico, Netherlands, Peru, Philippines, Poland, Portugal, United Kingdom, Romania, Russia, Singapore, Switzerland, Thailand, Turkey, Ukraine and Uruguay (figure 4). In these countries it carries out production and commercial venues.

Figure 4 - BUNGE's global operations



Source: Company documents

In Europe, Bunge has operations spread over most European countries, as reflected in figure 5, from Portugal to Russia.

Figure 5 - Bunge's european operations**Bunge in Europe**

Source: Company documents

Bunge's vision

Bunge's vision is stated as: *At Bunge, we enhance lives around the world by improving the agribusiness and food production chain. Our products and services help people eat better, they help businesses run more effectively, they help communities thrive and they help societies prosper and grow* (see company's webpage). It shows what are the priorities of Bunge: help farmers access the world market by buying their crops, and providing financing. In Brazil it also helps farmers by producing fertilizer. Bunge buys the crops, processes them, and then sells in the world markets. See also Bunge's values in Table 2.

Table 2 - Bunge Core Values

Bunge is committed to furthering the well-being of our stakeholders and the communities where operates.

Thus, the company is guided by its core values:

Integrity: Honesty and fairness guide our every action.

- We exhibit loyalty to the company and foster loyalty in others;
- We are fair with others and in all dealings;
- We adhere to high ethical standards of business conduct.

Openness and trust: we value and reward openness and trust.

- We are straightforward, honest and direct dealing with others.
- We are friendly and approachable.
- We encourage free and open discussion without judgment.

Teamwork: We value individual excellence and work as a team across business boundaries and geography for the benefit of Bunge.

- We act for the benefit of Bunge regardless of business units or self-interest.
- We share information and resources with others.
- We show respect for others and their points of view

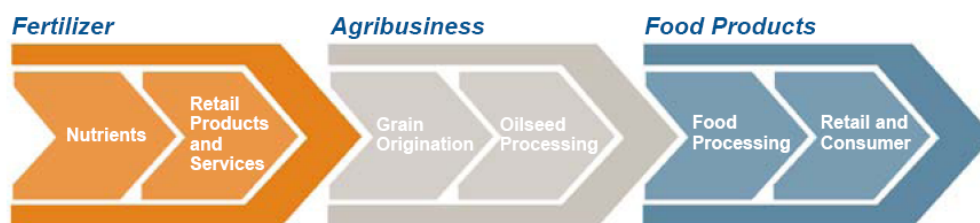
Commitment: we are dedicated, passionate and personally responsible.

- We accept personal responsibility for our actions.
 - We demonstrate passion and high energy for getting results.
 - We are persistent and determined in the face of challenges.
- Entrepreneurial: we are entrepreneurs.
- We have a sense of urgency and a bias for acting.
 - We show high initiative to deliver results.
 - We encourage risk-taking that has been carefully considered.
- Farmer/ Customer focus: we focus on our customers and farmers.
- We understand and respect customer and farmer needs.
 - We develop positive, trusting relationships with customers and farmers.
 - We are dedicated to providing the customer with the highest levels of quality and service.

Source: corporate website (www.bunge.com)

This vision also supports an integrated operating model, depicted in figure 6.

Figure 6 - Bunge's integrated operating model



Source: Company documents

Bunge seeks to become a large integrated supplier of solutions for farmers and consumers. As such it operates upstream in the fertilizers, in the agribusiness itself, comprising the production of grain and processing of some cereals, and the actual manufacture of some food products that it sells through retailers and wholesalers worldwide.

Bunge in Brazil

In Brazil, Bunge's first operation was established in 1905. Over the years, the Brazilian subsidiary has become the biggest company in the Brazilian agribusiness. In fact, in 2004, Bunge Brazil was the seventh largest group operating in Brazil.

The Brazilian operation comprises locations in 16 states and includes the manufacture of a variety of products, such as: fertilizers and ingredients for animal nutrition; process and commercialize soybean, wheat, corn, and other, prepares raw material for food industry and belongs to the provision industry. After the reorganization completed during the 90s, Bunge Brazil is now organized in two main business units: Bunge food and Bunge fertilizers (Table 3).

Table 3 – Bunge Food and Bunge Fertilizers

| | <i>Bunge Food</i> | <i>Bunge Fertilizers</i> |
|--------------------------------|--|--|
| <i>Scope</i> | Grain acquisition for food industry focused on final consumer. | Vertical company – produces and commercializes fertilizers and mineral supplements for animal nutrition. |
| <i>Suppliers</i> | More than 30,000 rural producers. Buy more than 10 million tons of soybean, corn and cotton seed Buy core and clean more than 2 million tons of wheat yearly. | Act in the whole chain, including mining, as well as creating and selling products. |
| <i>Products and Trademarks</i> | <p><u>- Final Consumer</u></p> <ul style="list-style-type: none"> - Refined vegetable oil: Soya (soybean), Primor (soybean) and Salada (soybean, canola, helianthus, corn and cotton seed) - Olive oil: Salada (pure) - Margarines: Delícia, Primor, Mila, Soya and Cyclus - Mayoneses: Delícia, Primor and Soya - Soybean beverages: Cyclus <p><u>- Breadmaking and Food Service</u></p> <ul style="list-style-type: none"> - Pre-mixture: Bunge Pró and Bentamix - Margarines: Bunge Pró (Suprema, Cukin and Rica) - Margarines: Soya and Primor - Mayoneses: Soya and Primor - Wheat flour: Bunge Pró (bread paste, cookies and breadmaking) - Soybean flour: Prosan - Proteins: Soya Maxten <p><u>- Special branch</u></p> <ul style="list-style-type: none"> - Unrefined soybean oil - Lecitinas - Tocoferol - Fatty acid - Vegetable tallow - Rudiments of wheat - Linter (cellulose and fibers of cotton seed) <p><u>- Animal Nutrition ingredients:</u></p> <ul style="list-style-type: none"> - Soybean middling (including one with high protein content) - Soybean flour - Soybean bark - Cotton bark - Cotton middling | <p><u>IAP</u></p> <p>Positioned at the simplicity of relationships, IAP brand actuate on the market with easy cost benefit solutions.</p> <p>Its formulations are adapted to the producers' local needs, which seek for traditional and trustworthy fertilizers – Products: Fertiap, Superfostato Simples, Minigran and others.</p> <p><u>Manah</u></p> <p>Manah is targeted at agronomic solutions focused on increasing the rural productivity. The brand is a Top of Mind one, and has technical support for customized systems, focused on delivering excellence to tillage – Products: Fosmag, Superfosfato Simples and others.</p> <p><u>Serrana</u></p> <p>Service supplier, Serrana brings strength and tradition to market relationships. With specialized team, produces solutions through premium products and services, expanding to client business management. Its solutions value the negotiation processes, raw applications and the adequate use of fertilizers – products: Turbo, Classic, Minigran, Serrana Cobertura, Serrana Líquidos, Agricultura de Precisão and others.</p> <p>The brand also produces and commercializes products for animal nutrition: Foscálcio, Enxofre 70S, MCPD e Carbocálcio.</p> <p><u>Ouro Verde</u></p> <p>Focused on market niches, Ouro Verde offers differentiation through innovative concepts and</p> |

| | | |
|-----------------|---|---|
| | <ul style="list-style-type: none"> - Cotton seed oil - Wheat middling - Grain corn - sorghum - <u>Animal's food</u> - Vitosan and Sano. | <p>high quality standards, as well as products for enhancing soil fertility. Segments of reforestation, natural and organic products are also at the core of the brand. Foremost products are: Arad – reactive natural phosphate, Ourofós line and Concinal Fertilizador.</p> |
| <i>Revenues</i> | US\$ 5.4 billion in 2004 | US\$ 2.5 billion (With growth of 850% related do 1996) |

Source: by the casewriters based on data from several reports from the corporation (www.bunge.com.br) and Bunge's Memory Center.

In the *fertilizer* business, Bunge is the largest producer and supplier to farmers in all South America. It is also a major producer in Brazil where it holds operations across the entire production value chain - which means that it participating in all stages of the business, from the mining raw materials to the commercialization to farmers through retail. The fertilizer business, despite being rather sensitive to climatic changes and the profits of farmers – that will consume more when they get good crops - , is a very profitable business for Bunge, partly because of the increase in agriculture in Brazil.

In the *food products* business, Bunge is organized in two units: the edible oil products and the milling products. These products are sold both to the final consumers through retail chains and to intermediate industries such as food processing firms.

Evolution of Bunge in Brazil

In 1905, Bunge set feet in Brazil, initially by taking on an equity stake in Moinho Santista. At that time, Bunge was devoted to several lines of business, such as agribusiness, food, chemical, concrete and textile. That is, Bunge was already a rather diversified corporation at the beginning of the century.

Bunge's business evolution focusing on the agribusiness, was supported in taking advantage of market opportunities. The expansion to Argentina was based on the grain production potential of the country and channels originated from the european base of Bunge. In Brazil, Bunge started producing cotton oil, originated from the cotton seed residues and leftovers.

The creation of peanut oil, another Brazilian habit was changed.

Bunge extended to the textile activity due to its need for cotton bags to pack up Moinho Santista flour. Vertical integration and diversification was due to the use of the cotton bags plants to manufacture clothing. From cotton to

wool and thread, Bunge expanded its businesses and became a large textile company.

Bunge also expanded to the production of fertilizers - another step in diversifying its operations in a vertically integrated strategy. In essence, this move involved entering the chemical industry. The opportunity was emerging: farmers were exploiting new terrains and agriculture was on the rise – farmers needed fertilizers for their crops. Later, the activities in the chemical industry were also extended to the manufacture of ink to be used in civil construction – this diversification move was again based on a market opportunity; the “Brazilian miracle” saw an upsurge of construction. Bunge further diversified the product lines, and introduced the margarine to substitute butter and soybean oil. To make it short, the evolution of Bunge was strongly marked by an aggressive diversification strategy in related, and many unrelated businesses and markets worldwide.

Need to restructure

At the beginning of 90s, Bunge Group was extremely diversified, with more than 100 companies in different industries and businesses, from banks to real state, from grain processing to computer manufacturing. However, Bunge’s subsidiaries in South America, that had been established and grew in a protected environment, were not internationally competitive. The opening of the Brazilian (during Collor’s Government and “Plano Real”) and Argentine economies in the early 1990s led to a fast and severe loss of revenue as the companies started facing incoming international competition. Losses accumulated. In the words of a Bunge executive:

“Until the nineties the Brazilian market was protected against imported products...With President Collor election, suddenly the Brazilian market was opened to the foreign competition. At that time Bunge was a conglomerate of several companies in different sectors: agribusiness, cement, paint, bank, insurance, textile beyond others. It was hard to become efficient in various fronts at the same time. With globalization the competition becomes too strong. Bunge decided to concentrate in its core business - since its foundation 1818 in Holand - the agribusiness.”

Bunge Brazil faced different challenges and needed a change, and in the 90’s it had to overcome a difficult situation. The Brazilian operations were facing huge financial losses. After four years of losses something was obviously wrong and something had to be made.

Bunge’s business strategy needed to be revised. Under a new top management team (TMT) a new strategy was devised. The decision was to refocus on the agribusiness, exploiting integrally the chain value of grain and fertilizers. During the next six years, from 1992 to 1998, it divested non-core

assets and businesses, in Brazil, Argentina, Venezuela and Australia. This change involved Alberto Weisser, at the time de CFO and now the corporation's CEO. Weisser led Bunge through the public offering (IPO) in the US stock market in 2001 - given that it was still essentially a family-owned and operated business it introduced professional management, and moved the company's headquarter to New York. Bunge is now Bunge Ltd.

The Re-structuration Phase

Bunge is not a new player when it comes to reinvent itself. Table 4 summarizes the major strategic movements along Bunge Group life and the origin of two integral subsidiaries: Bunge Fertilizers and Bunge Food.

Table 4 – Strategic actions along Bunge lifecycle¹

| <i>Period</i> | <i>Bunge Group</i> | <i>Fertilizers Area</i> | <i>Food Area</i> |
|--------------------------|---|--|---|
| 1900 – 1930 | Diversification (cotton and textile) Food innovation | | Growht based on alliances and acquisitions; Product diversification Regional and National focus |
| 1930 – 1960 | Diversification (Fertilizers ans Soyabean) Logistics | R&D Diversification (sulphuric acid and colouring matter) Logistics | Export start Product diversification Producers incentive |
| 1960 – 1990 | Social responsibility Product diversification R&D | R&D (new processes) Product diversification Social responsibility and environment | R&D Design Social responsibility |
| 1990 – Century XXI | Re-structuration | Created subsidiary: Bunge Fertilizers | Subsidiary: Bunge Food |

Source: casewriters.

However, it was now facing a particular crisis. Its competitiveness was hampered, partly due to events right before and after "Plano Real", especially the Brazilian opening to foreign trade and investment brought a meaningful impact to the company. Bunge required a new set of long term vision and strategy. The strategy had to be more strategically consistent, the degree of business diversification it had achieved showed little synergies among the businesses value chains and the ability to compete in the new unfolding landscape was decreasing fast. Losses accumulated. Bunge's corporate strategy was ripe for undergoing strategic renewal. But, what to do?

¹ Research data and information from Bunge Memory Center.

The TMT decision was to focus, to concentrate its activities in the agribusiness, fully and globally, which meant divesting from businesses that were not related to the company's core business. This meant focusing its investments to acquire a leading position fast in the new target businesses. The faster process was to get rid of all on-core business – divesting – and using the financial resources that were freed to engage in the acquisition of firms that would contribute to strengthening of the core. This was the corporate strategy.

In sum, Bunge had to move from a conglomerate, entailing different and unrelated activities, to a tighter core centered in two main, and largely related, businesses. The company would emerge in 1995 with a portfolio of two main businesses (table 5)

Table 5 – Bunge after 1994

| | <i>Remarkable facts in Brazil</i> | <i>Bunge Fertilizers Actions</i> | <i>Bunge Food Actions</i> |
|------|--|---|--|
| 1994 | Plano Real, economy opening and privatizations | | Merger of group companies. |
| 1995 | Economic stability | Acquisition and control of fertilizer companies | New products Joint ventures not related to company's core business. Acquisitions not related to company's core business. |
| 1996 | Consume outburst | Quality certification | Acquisitions New products development Quality certification |
| 1997 | Privatizations outburst | Cement plants selling New services for farmers IAP (fertilizers) acquisition New product development for fertilizers Plants improvement and modernization | Acquisition of Ceval New plants opening |
| 1998 | | Acquisition of new fertilizers companies | Ceasing of joint ventures not related to strategic focus or core business |
| 1999 | Real instability and interest growing | Plants modernization in order to reduce waste and increase the production | Leadership consolidation New plants opening |
| 2000 | | Acquisition and control of companies Social responsibility actions Bunge Fertilizantes established | Bunge Alimentos establishment |

| | | | |
|------|----------------------|---|--|
| 2001 | The "big switch off" | New plants building and opening Energy consumption reduction | Assets not related to strategic focus were sold New plants opening |
| 2002 | US Dollar increase | New unit opening | New plants opening New products launching Quality of life programs Participation incentive Research centers construction |
| 2003 | Dollar stabilization | Re-structuration of brand management to improve consumer relationships New plant opening Quality of life programs | New products Environment preservation certification Productivity increase Business acquisitions Investments in logistics |
| 2004 | Exports record | Improvements in services of customer assistance | New products launching Social responsibility Investments in logistics |

Source: casewriters.

Bunge's recent actions, during the first half of the 1990s involved many dimensions: it largely sought to grow fast and the acquisition of incumbent firms seemed to be the right move to make. It also complemented the acquisitions with some investments in greenfield new plants, in improving the quality of its products and in developing new product offerings. The outside image was improved by a pleiade of activities directed to social responsibility and quality of life at work.

On one testimony, an executive stated that:

"Agribusiness had low government protection. In Brazil the company already had subsidiaries such as Sanbra, Samrig and Santista. In fertilizers, the group held Serrana. The group sold non-core assets and used the available financial resources to invest heavily in the agribusiness activities, which meant making acquisitions such as those of Ceval (the biggest soy processor of Latin America), Incobrasa (Soy processing at Rio Grande do Sul), some fertilizer companies like Ouro Verde, Manah and IAP. Today Bunge is the biggest in Brazil for soy processing and export, corn exports, vegetal oil production, wheat flour and fertilizers. It is also the biggest agribusiness Brazilian export in agribusiness. The group in Brazil is the 5th place in exports behind Vale do Rio Doce, Embraer, VW and Petrobras".

Bunge's CEO had a decisive role, in the opinion of an Executive:

"The current company CEO, Alberto Weisser, was the CFO at the time and had a decisive participation conducting the all process."

To keep business competitive Bunge changed its headquarters to White Plains (USA) and performed an IPO. Moving the company's headquarters to the US favored the reputation and made it more credible to attract the financial resources it required to proceed ahead with its turnaround. It was simply easier to access money and it was cheaper money. Moreover, the IPO

financial resources obtained complemented the financial needs for acquisitions. Some of the major shareholders wanted to sell-off their positions reducing their exposure in Bunge and cashed-in their gains.

During its successful re-structuration, Bunge went through national agribusiness euphoria, but also assisted to the dollar decrease and other environmental disturbances. Bunge became an important global player due to its governance system and executive top management (Table 6). The TMT had a clear strategy and was deeply focused on the execution of a new strategy.

Table 6 – Bunge Executive Top Management

| |
|--|
| Alberto Weisser – CEO |
| Bill Wells - CFO |
| Mário Barbosa - Bunge Fertilizers |
| Fernando Kfoury –Food Products |
| Jean-Louis Goubain – Bunge Europe |
| Archie Gwathmey – Bunge Global Markets |
| Carl Haussman – Bunge North America |
| Raul Padilla – Bunge Argentina |
| SergioWaldrich – Bunge Alimentos |
| Drew Burke – New Businesses |
| Flávio Sá Carvalho – Human Resources |

Source: Annual reports available at www.bunge.com.

Post-restructuration: Bunge's Global Strategy

What was Bunge like after the restructuring? By 2005, Bunge Ltd had become a global player in the agribusiness with over 500 facilities in over 30 countries. The net sales had grown to about \$25 billion and the net income to about \$470 million in 2004. Its businesses entailed a high degree of vertical integration – it acquires the crops from farmers, it processes the grains into animal feed, food products, and vegetable oil, and it markets those products in the world markets of Europe, South America, the US and Asia.

There are still strategic risks, in the opinion of industry analysts (see table 7) The agribusiness is a commodity industry highly impacted by environmental shifts. It has highs and lows, especially considering soy, a commodity very exposed to climatic changes. However, the fertilizers business has a relatively lower business risk.

Table 7 – Bunge's SWOT

| | |
|---|--|
| <p>Strengths</p> <p>Dominant market position High revenue growth Diverse geographical reach</p> | <p>Weaknesses</p> <p>Rising costs High debts Operations concentrated on agribusiness</p> |
| <p>Opportunities</p> <p>Acquisition of Cereol Bunge-DuPont joint venture Rising world corn consumption</p> | <p>Threats</p> <p>Merger-integration risks Cyclical nature of the industry Presence in instable economies</p> |

Source: Datamonitor, 2004.

Notwithstanding, the vision is clear, so is Bunge's global strategy and business intentions, as expressed by the following quotes from the current CEO:

"Grain global demand grows at 3% by year and it will still go on, especially in Asia. USA, Europe and Asia are limited or even decreasing. It means that responsibility for Brazil, to provide grains to the world will increase. In about five years, soybean and corn export will have to double. Brazil will have to feed the world. And it is not a right or an opportunity. It is an obligation".

"We have to look at the world as a whole. It is a chain. We see the products that emerge from South America and then they will be delivered at Asia. We build the bridge. In Brazil, we will invest US\$ billion until 2007".

"Our purpose is to improve agribusiness chain. The more efficient we are, bigger will be producers' revenues".

"We started with soybean and we are big players at fertilizers business. The chain integration is important: fertilizers with soybean. In others countries at the world, we are the biggest sunflower processors. Brazil will have to be, as well, truly important at corn production, once will not exist the absence of corn. Why not take the new opportunities, if they emerge?"

Therefore, Bunge's current strategy may be summed up as:

"Our purpose is to become the world's best agribusiness and food company as measured by: customer and farmer satisfaction, operational excellence, financial returns and motivated employees".

Bunge 2004 Annual Report

According to Bunge CEO, Alberto Weisser:

"This commitment is reflected in the partnership with producers that turns us an integrated company. It goes from phosphate mines and fertilizers industries to the field, and from the field to the consumers' table. In these 100 years, our contribution created jobs, the supply of consumers to the producers to increase their productivity, to generate jobs and richness, and exports.

"Bunge's performance is the result of the partnership and confidence of our clients, suppliers and partners. And, mainly, from the dedication, intelligence, competence and hard work of each one of you and all that preceded us during these 100 years of Bunge history in Brazil. The

company operates in 270 different places in Brazil and employs more than 11,000 collaborative.

Bunge believes that the future is in developing new markets and partnerships as mentioned by Alberto Weisser in the American Seed Trade Association's 2005 Annual Convention:

"Changes in trade are requiring global perspectives. Volatility is encouraging shared risks. Consumers and governments are demanding transparency. Technology is necessitating integration.

The days when my predecessors could prosper by writing FOB contracts are over. The future will be one of an ever more sophisticated, seamless production chain. Of long-term partnerships built on mutual benefits. Of customer relationships built on service and quality."

Conclusion

Only a hand full of firms make it to the top of the long lasting firms. Bunge is one such firm. Exploiting and exploring the emergent opportunities for growth Bunge grew into a large conglomerate. In the process Bunge lost its focus, which ended up creating severe difficulties, four years of negative net results, and the need to do something to turn it around. Under a new TMT, the turnaround led to profound changes. Many subsidiaries were sold off, some of those whose profitable businesses. Bunge abandoned entire business lines and focused on only two business units. Bunge also made an IPO and changed the headquarters to the USA.

The corporate strategy for the turnaround based on divestments (selling) and acquisition of established firms has serious risks. How are the new firms integrated to maximize synergies and obtain a worldwide value chain and logistic system that is able to fulfill the objectives that were set up. This strategy was executed despite the risks of the agribusiness. Could this strategy lead Bunge to the new millennium without further turmoil?

The new bet on the agribusiness is full of risks on the long run, the competition is stiff and the margins are low. Production is affected by the external environment, and it is hard to predict what other firms and countries will do. The recent rise in the commodities is attractive for the industry but only time will tell how consumers, producers and governments will react. Hence, whether Bunge's choice for the future was the best strategy only time will tell.

Basic questions for case study discussion

1. Discuss the evolution of Bunge and its strategies progression (Tables 4 and 5). What are the main strategies and results?
2. Considering the first question and Bunge SWOT matrix (Table 7), what are the benefits and risks of focusing the agribusiness?

3. Considering the situation in the nineties how do you consider the decision of focusing Bunge's businesses?

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