



Cargill's business longevity in China

For agribusiness giant Cargill, doing business in China required adapting its global business model to China's diverse domestic economies. An interview with Robert Aspell, President of Cargill China.

When it comes to doing business in China, going big may not always be the right answer. For agribusiness giant Cargill, the company has had to adapt its global business model to China's diverse domestic economies.

In the case of its animal nutrition business, Cargill started the business with large feedmills to cater to the needs of its customers, who were mostly farmers with small farms. But that approach was a mistake, says **Robert Aspell**, President of Cargill China.

"Traditionally in other markets we would have large feedmills, serving a large area or large farmers. In China, we've adjusted the model," says Aspell.

"We started with large feedmills and we saw that it didn't work. And we've adjusted the model to be very nimble and attentive to the needs of customers."

Today, the company has 23 animal nutrition plants in China, each serving small farming areas.

In contrast, Cargill's large-scale oilseed processing business in China follows its global business model.

"Our investments in China are world-scale, the practices, everything ... is all linked globally, so we work basically as a global unit with a global type of

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operation in China," says Aspell.

Being flexible has contributed to Cargill's longevity in China. After being in the country for about four decades since it began opening up to the outside world, the company has grown to almost a billion dollars there, driven by its businesses in agriculture, food ingredients, finance, energy and transportation.

One particular business that Cargill is focusing on is China's fast-growing demand for oilseeds, such as soybean, says Aspell. He says China's strong economic growth, the emergence of a large middle class and changing diets are driving demand.

"If you're becoming richer and you have 20 per cent of the population, seven per cent of the arable land ... things start giving, right?"

Aspell adds that Cargill will leverage its global supply chains to meet China's growing demand for food commodities.

So far, Cargill has been wrong-footed by its expectation of a slowdown in China's economic growth, even in the midst of the global financial crisis. Making the right call on China's economic growth is important to planning the company's future in China, says Aspell, adding that the

company has been consulting economists and business leaders for their advice.

“What could China look like in the next 10 years? We don’t need to get it exactly right, and we’ll never be able to do that, but we need to get it directionally right. And once we get our thinking around that ... we can put our resources behind it.”

And if China manages to sustain its strong economic growth, then by 2020, it could be “beyond what we can imagine it today” for China’s food industry, says Aspell.

Asked about Cargill’s five-year plans in China, Aspell told INSEAD Knowledge that the company wants to make “high-level” plans and to be “very specific about what we need to succeed in China”.

“Today the global model of Cargill is very business unit-led, some are based in China, some are global. We want to relook at that and see what is the best way to address the China opportunity.”

As for Aspell himself, to what extent is his job about handling government relations when regulatory changes affect his work with farmers?

Aspell replies that he doesn’t see it as Cargill’s role to influence government policy, noting that making agricultural and land reforms in China will be a very slow process. He points out that as most farmers have small farms in rural areas with a population of 700 million, the environment is not conducive for building a modern and highly-efficient agricultural industry.

But Aspell says Cargill’s greatest contribution to China is its educating and training of farmers on better livestock management, with more than 2.5 million farmers trained by its animal nutrition business to date.

Another area in which Cargill makes a contribution is in food safety. Given China’s spate of food contamination and poisoning in recent years, Aspell says Cargill has “a leading role to play” and is working with the government on improving food safety issues.

For its part, Cargill has been funding collaboration programmes between Chinese, American and European institutions on food safety, says Aspell. The company is also working with customers to raise food safety awareness and helping them put in place better food safety processes.

Chinese companies, says Aspell, have now learnt that they need to have high food safety standards.

“We’re getting to a more level-playing field now in

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terms of food safety.”

Robert Aspell, President of Cargill China, spoke to INSEAD MBA students in Singapore recently, taking part in a China Strategy elective.

This article was written by Kevin Tan based on an interview for INSEAD Knowledge.

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