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# Back in the black

**When his family business was struggling, Rocco Sarmiento never thought he would be the one to lead it back to growth so quickly — but perseverance and focus go a long way.**

IMAGES JAMES ONA

**D**espite starting a trade fairly early in life, Ricardo Manuel 'Rocco' Sarmiento wasn't looking to run a business. However, he went on to not only inherit his family's organisation, Vitarich Corporation, but also to lead it through a time of crisis and rehabilitation.

"I started trading sacks and t-shirts when I was in my second year of college, and transitioned into selling real estate after college," he says. "I wasn't really looking for an immediate job because I was already earning more than most of my classmates."

After graduating with a Bachelor of Science in Tourism from the University of the Philippines, Rocco then began working in manufacturing, where he remained for a few years before joining the family business in 2005 — a pioneering integrated poultry producer specialising in animal feed, animal health products, and chicken products. Founded by Rocco's grandfather and his two brothers in 1950, Vitarich is among the oldest feeds producers in the Philippines, primarily engaging in the formulation, production, storage, and marketing of various animal and aqua feeds. "First I was the General Manager for a Vitarich subsidiary, Gromax, which handles all animal health needs in support of our feeds business, and in 2008 I was brought in to do the sales at Vitarich. Then in 2012 I was promoted to COO of Vitarich, and at our last shareholders' meeting in June, I became CEO." >>



**Name** Ricardo Manuel 'Rocco' Sarmiento  
**Company** Vitarich Corporation  
**Position** CEO  
**HQ** Bulacan, Philippines  
**Employees** 417

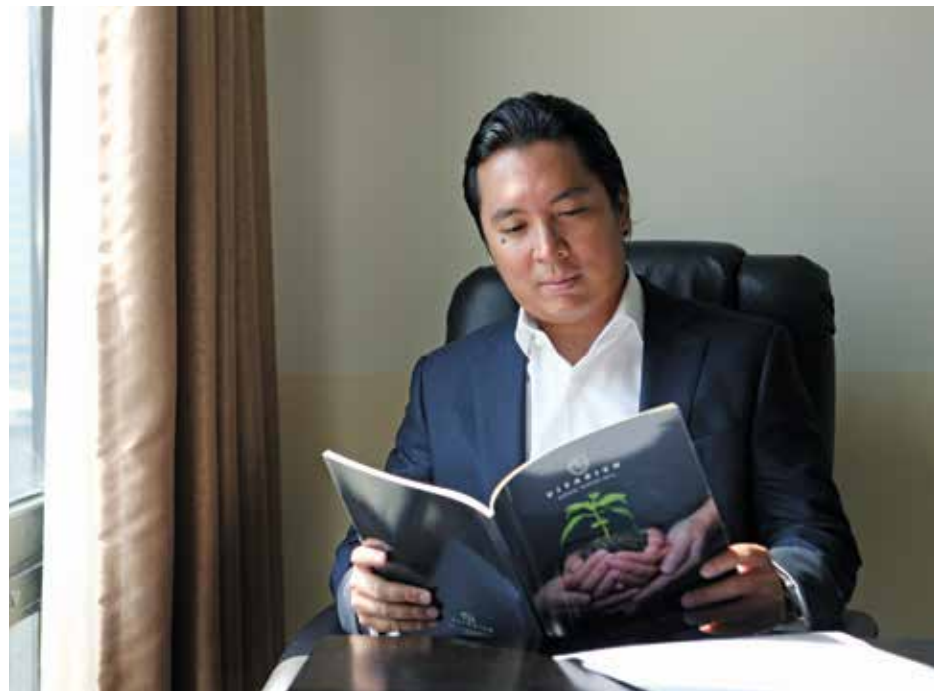


Rocco was also President of Gromax, where he led the overall operations as well as the handling of sales and marketing. “When I joined the family business, the first thing I had to do was learn everything about it, because I wasn’t familiar with how all aspects of it worked, especially dealing with livestock, both our own and the animals that would consume our products,” says Rocco.

Unfortunately, one year into the job, Vitarich had to file for corporate rehabilitation after being severely hit during the Asian financial crisis in the 1990s, presenting myriad new challenges for a young Rocco.

The cost of doing business, including interest and exchange rates, had soared to record highs causing the business to suffer. An over-supply of poultry in the market, stiff competition, and quantitative restrictions on the importation of poultry and poultry products were enforced, spurring liquidity problems for Vitarich. The company was forced to cut its employee count from around 1,000 to just 400 in order to weather the crisis. “We had many executive sessions and meetings with the family so they could explain to us what was happening. My father, who was CEO at the time, wanted me to understand what the rehabilitation meant so that I could pass that message on to my people — my customers and suppliers,” says Rocco.

“I learned that, although it sounded bad, it was actually a good thing, because it was a way for us to get back on track.” Rather than focus on the expansion of the business, like many stepping into leadership roles, Rocco spent much of his time trying to manage the existing business with limited capital and no access to credit lines. It wasn’t long before Rocco and his family realised that downsizing and



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refocusing would help to resolve some of the initial issues. “I mostly tried to save the company and trim the fat. One of the first problems I identified was that we were trying to sell so much volume, but we didn’t have the resources to accommodate that. As a result we would also have stock-outs with our inventory, as bad customers didn’t pay us on time, which affected >>

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both the good and the bad customers,” says Rocco.

One of Rocco’s first moves was to tell non-paying customers that they’d cease dealing with them, and would perhaps resume business in the future, when they could pay on time. “That way, we were able to ditch the problem clients and focus resources on providing good service and products to the good customers,” he says. “If you are trying to juggle both good and bad customers, and trying to manage such large volumes, sometimes you end up disappointing your best customers.”

This strategic move helped Vitarich fight the headwinds, allowing it to make a profit for the first time in years by 2010. “That’s before you add in all the interest from the banks and the auditors, but operationally, we actually made money. That was a turning point for us,” says Rocco.

During this time, Rocco was also working to drum up support from external investors and financial institutions to aid the rehabilitation period. “I was talking to the banks, looking for investors and trying to strengthen the business finance. I had to talk to every hedge fund bank I could find, in an attempt to strike a deal.”

In 2013, Vitarich finally found a partner in Kormasinc, Inc., which served as a white knight investor with a debt-to-equity arrangement reducing the company’s previous P3.25 billion-debt to a P800 million. The partnership saw Kormasinc take control of more than 70 per cent of Vitarich’s shares, which marked the first major step towards the end of the rehabilitation plan, while allowing Rocco and the Sarmiento family to remain in control of the business.



**“Many people are still cautious and are reluctant to spend our money after ten years of struggles. However, we need to spend money to make money.” - Rocco Sarmiento**

Soon after, Vitarich sold its Luzon manufacturing facility to pay off existing debts and generate some more working capital, helping the business to operate significantly better. Vitarich is now debt-free and Rocco has been able to switch from survival mode, to instigating growth across the business. “We have been making a profit since late 2014 and can now expand, so the last twenty-four months have been a totally different way of thinking for us. We’re no longer operating crisis management, but rather, expansion management and long-term growth,” he says. “I am still having problems trying to get people on board with this mindset, as many people are still cautious, and reluctant to spend our money after ten years of struggles. However, we need to spend money to make money — we have to maintain our quality and grow our customer base.”

Following a substantial downsizing in the 1990s, Rocco is now leading Vitarich through a gradual rebuilding stage. “We have grown again by building two new feed mills in Davao — one became operational in October and the other will be operational in May next year. For Luzon, I aim to do the groundbreaking for our new facility by the fourth quarter,” says Rocco. In an effort to reduce asset-related costs, the two new feed mills in Davao are run in partnership with third party operators rather than being owned by Vitarich. “This way we don’t have to spend unnecessarily on infrastructure, and instead I can use our money for buying materials and making products. Our focus right now is really to grow the business through sales rather than by accumulating assets,” says Rocco.

“We need the added capacity though, because our market is growing, as is the

industry. Our growth is spearheaded by our chicken and poultry business so that’s what we’re focusing on. The reason for our growth in poultry is largely due to increased local demand, particularly in Mindanao,” Rocco explains. Demand has increased particularly as a result of the forming of the ASEAN Economic Community (AEC) last year, which set in motion the creation of a single market and production base for a ten-nation bloc including Brunei, Cambodia, Indonesia, Laos, Malaysia, Myanmar, Philippines, Singapore, Thailand, and Vietnam.

*“Working with Vitarich is like nurturing a relationship with a best friend in business — informal, straightforward, yet with great deal of professionalism. More than a decade of partnership has forged a solid trust. Primarily because we value commitments and exercise compassion. A kind collaboration that always give win-win results.”*  
- Fernando B. Lasam, Marketing Director, Maneuver Marketing Network

The AEC is characterised by the free flow of goods, services, skilled labour, investments, and capital in the regions that present a well-timed opportunity for Vitarich to spread to new markets.

Looking forward, in addition to its animal feeds and chicken business, Rocco says he hopes to expand the company’s operations. “In the future, because we produce feeds and we have a chicken business — I would like us to venture into hogs and fish using a similar model that has proven to be successful,” says Rocco. “We would be producing our own livestock, then selling the animals or the meat to market and businesses. I think it’s right up our alley.”

From there, Rocco thinks Vitarich could go on to produce more products in the food and retail space, potentially making the leap from chicken to more

popular traditional snacks, with the company already releasing a new line of Golden Dory fish products.

“We are trying to integrate further, by producing consumer goods like hot dogs, chicken tocino, and other chicken-based products. I used to eat a lot of these when I was kid, and I am trying to revive it,” says Rocco. Another potential next step for Vitarich is to look into offering additional services to farmers that rely on its products, such as helping them to market their produce. “I believe that will help my customers, because for a lot of these farms, their specialty is simply to grow the livestock, and the intricacies of marketing lie outside of their expertise. I would like to close the gap on that, so if I can supply marketing for all the livestock services and products of my customers in addition to our own products, it makes it more sustainable for all involved,” says Rocco. >>



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“We are still a long way from that, but if we can make that happen then I believe the farmers will be very happy and it’ll solve a lot of their problems, so they can get on with raising their livestock.”

Rocco understands the true value of a supportive supplier to a business, claiming it is Vitarich’s own long-term suppliers that were the secret to the company’s survival over the years. “Our suppliers are wonderful — they have supported us through it all. If not for them we wouldn’t be where we are now. Our company owes a lot to them,” he says. “They were there with us during the hard times, and now that we are better they are very happy because it means more business for them, and we give them preferential treatment.”

Rocco says this doesn’t mean things are rosy every day, but that’s not what having a strong relationship with suppliers is really about. “Business is business, but they have played a vital role in the resurrection of Vitarich and a lot of them have become good friends of my family and also of the organisation. They were crucial to our survival.” Also crucial to the survival and resilience of Vitarich was its people, which Rocco claims are the best part of his job. “What I love most about my job is the people — I love working with them, and I learn a lot from them,” he says. “I know I have a big responsibility, especially when coming through bad times, to protect our people. I feel driven to reward them for their efforts and loyalty.”

As the company has seen large improvements in the past few years, Rocco feels great pride in having been able to award some of his workers with bonuses. “I love the fact that I can enrich their lives, especially now that we are more successful. Our employees had not been given any bonuses for a long



time, so in 2015 I handed out 14 months of pay. It was very moving to see how happy that made my people. It makes me want to do better, not just because I want to enrich my life, but so that I can also enrich many other lives — what’s not to like about that?”

With a focus on improving the business as well as the worker experience, culture is very important for Vitarich, and Rocco wants it to continue to feel like a family business no matter how big it grows. “Family culture is important to me, so we make sure we take care of each other,” Rocco says. “I’ve always told my people that teamwork is the best way, and I often explain this through sports analogies, saying: ‘We are not like tennis where it’s just about yourself, we’re more like a basketball team.’”

Rocco extends his philosophy to a specific game of basketball; when the

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- Rocco Sarmiento

Dallas Mavericks beat Miami Heat in the US National Basketball Association championship in 2011 — teamwork overcoming strength. “This was a good example because the Dallas Mavericks were an older team and Miami Heat was a brand new super team with all the young guns, headed by LeBron James. But even with all that talent and athleticism, they still lost, because they lacked the teamwork that the Mavericks had,” explains Rocco. “I always stress the importance of teamwork, even

if it’s not categorically your work or your department; everything has to be solved with a holistic approach. That’s a very important aspect of being a successful company.”

With a great relationship with his suppliers and employees, and a business that is back in the black, Rocco says it doesn’t matter what your background is, and how great a challenge you face — if you stick with something, and give it your all, then success will follow.

“We were in a very tight spot, but we overcame it — so for any entrepreneur or business person, I would say that if you believe in something, stick with it. Sometimes you have good luck, and then sometimes you’re not so lucky, but if you stick with it then you are inviting more of the good luck to come your way.” ■



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