

# New Cobb-Vantress president Jerry Moyer: The market expects Cobb to

**Jerry Moyer has recently become the president of the broiler breeder company Cobb. In his new role, Moyer speaks to World Poultry about the position of his company in the world chicken market, the move to multiple products and his vision for the future.**

By Roger Ranson

**Q**uestion: We've seen some radical changes in the industry. Three of the four major players have been acquired by private companies and are now part of organisations with a long-term vision in breeding. How does Cobb fit into the long-term vision of Tyson Foods?

**A**nswer: I think, without a doubt, that Tyson has a long-term vision when it comes to the ownership of Cobb and everyone is aware that Tyson is currently one of the largest chicken processors in the world. Tyson has taken an active interest in owning Cobb since the mid-1980s when they made their first investment to buy 50% from Upjohn in order to have some control over the product they were going to be using, as well as to provide some input into the research and development (R&D). That view has not changed at all. Today, Tyson's people see that with the emergence of the health conscious consumer, the ownership of Cobb puts them in a unique position compared to their competitors and they see it, perhaps, as a way to differentiate themselves in the future.

**Q:** Public companies, such as Tyson, do have a duty to please their shareholders from one year to the next. What difference has this made to their approach to a subsidiary like Cobb, particularly when a parent is going through quite difficult times?

**A:** There is no question that 2006 was a difficult year for Tyson. They went through some tough times and there was a lot of publicity around some of their cost-cutting measures. They aggressively went into their operations and looked at things that they could re-evaluate; much of it around overhead costs and the corporate centre in northwest Arkansas. But we're fortunate in that the leadership of Tyson has a very long-term view. From the very beginning they said that Cobb was off limits, particularly in light of what we do with R&D spending. They did not come at us for any money in the 200 million dollar cost-cutting initiative that they announced, simply because

they see it as a need from a long-term standpoint to develop a product that is the core to their business.

**Q:** So it gives you a lot of faith in their investment in R&D for the future?

**A:** In all of the publicity around cost-cutting, there was very little said about some of the things Tyson did relating to R&D that I think internally in their own business will be important for them going forward. They've got a very strong mindset about the importance of research and development, as well as the role that it plays in positioning them in the marketplace in all of their meat segments.

**Q:** People in the industry sometimes ask how much pressure Tyson puts on Cobb to provide a product that suits their own bottom line, rather than, perhaps, customers at large?

**A:** I think the easiest way to handle that question is to look at the scope and size of Tyson's business. If you look at the excess of 40 million chickens a week that they are processing, that's not in one type of product. They have small birds that they produce for customers, like KFC, where there's a lot of cut-up done to the products, all the way up to the very big broilers seen in some businesses in the US where they do a very high percentage of de-boning to the breast meat, as well as further processing, cooking etc. The scope of their business is so wide that it's really difficult to have one product that fits their entire business. They are currently using multiple products from us. I think, in a way, it ensures the need for us to continue to develop multiple products because the business is so broad.



**Jerry Moyer in conversation with Tennyson Chen of Bounty Agro Ventures in the Philippines.**

**Q:** You've travelled a lot around the world and seen other companies and customers. What do you see as currently being significant trends, and perhaps the greatest threats, to the poultry industry at large?

**A:** I think we're talking about how business is going to be done across the world. We've seen in the last several years that countries relying on exports, particularly Thailand, have had very difficult times because of issues related to health matters. The avian influenza (AI) H5N1 situation also complicates business, and this is something that has to be addressed as an industry. We have to find ways to facilitate trade because so much of business in the US, Brazil and Thailand is predicated on a significant percentage of export. If we're going to sustain growth as an industry we've got to find ways to facilitate trade issues.

# offer multiple products

**Q:** *How do you think that can be done?*

**A:** There's got to be a meeting of the minds. The industries need to come together and try and put the real core issues about health and the safety of the food chain and the health of the birds first and foremost, with frank and open discussions about the issues. However, we need to do it in a way that is separate from trade implications. A perfect example of the situation today in Thailand is their resistance to using a vaccine if one was available and truly effective. They will not use a vaccine against AI because as soon as they vaccinate, they eliminate their ability to trade internationally. If vaccination is a true choice and an effective choice to address the AI situation around the world then we need to do it in a way that is a separate issue from trade.

**Q:** *Breeding resistance into poultry and other animal species could be something to look into in the future. We hear about genomics as offering new opportunities in breeding improved strains. What specific benefits do you see this bringing to Cobb as a major breeder in developing new products over the next few years?*

**A:** Well, I'm not sure that genomics will offer a great deal of progress in the next few years. People need to remember that the pipe-line of bringing a new product to market is somewhere in the range of 4-5 years post the R&D efforts. I do think that on a longer term basis, genomics is going to offer some abilities in marker assisted selection that we currently see in other industries, the plant industry and even some other animal species, to develop traits against welfare issues and maybe even safer foods. I think from a company standpoint, Cobb is intrigued and we have to, on a broader view, stay abreast of university research. You mentioned resistant birds as options for AI. As a company, we have to stay up-to-date because we are talking about potentially safeguarding human health.

**Q:** *Until a few years ago you have relied on one product, the Cobb 500, for the success of the business. Now you have got other products on the market. Is this a change in strategy, and how do you explain this?*

**A:** When you sit down and look at the markets as a whole, you have no choice but to have products that can address some of the new market segments that are developing. Over the past 10 years in the US, the change to large birds and

the increased amount of breast meat deboning obviously impacts on the decisions people are making to buy breeding stock. Other parts of the world are going the same way. Today, 40% of the market, and regions like Middle East, Africa and Asia, are down in the range of 1.5 - 1.6 kg. That's a very different product from that segment of the US market that is deboning the big birds. There is no choice but to have some multiple products to be able to be a player in all these different market segments.

**Q:** *How far is it going to go? How much are you prepared to look at the smaller, more niche markets of the world in terms of whether they are viable for Cobb? Is it something that would interest you?*

**A:** It definitely interests us and we are actively looking at some of the niche markets. We know very well that in Europe there is an increasing trend towards free-range; it's a growing marketplace over there. Without a doubt we have interest in it, one that is going to continue to grow over the next 5 - 10 years. I think there is a strong chance that it may even develop growth in the US before too long. Without question we have to be looking in those areas and finding ways of producing products that make sense for those markets, but to do it in a way that you have some efficiency.

**Q:** *One strength of Cobb has been your technical support that you have provided for customers. You've had a world technical support team that you believe is second to none in supporting customers worldwide. Will this support continue at this level for the future?*

**A:** Absolutely. We look at that technical services support as a way to build some differentiation for us in the marketplace. We invest a good bit of money in those people and we are very proud of the team that does that work for us around the world and very pleased with the response we get from our customer base and their interest in continuing to support the work by our team. If anything, we see it broadening in the future.

**Q:** *Jerry, you have become the 6<sup>th</sup> president of Cobb in more than 90 years, following James Bell. What do you believe is his biggest achievement, and what then do you see as your biggest challenge in the years that lie ahead?*

**A:** I believe that the growth of the company that happened under James's watch is unprecedented. You have to recognise, while other breeding companies in the past have enjoyed some very high market shares during periods of industry expansion, the relatively flatter growth in the period that James was expanding our business makes his achievement tremendous. For example, when James started we had two hatcheries here in the US and we now have eight, and two R&D facilities have become four. We started an operation down in Brazil under James's watch. Being able to grow and produce a quality product and, at the same time, build a team to support, is a tremendous compliment to James in what he was able to do here at Cobb. As far as what I hope my abilities to be, it is going to be to keep that ship on the same course it is on. You know it is always tough to follow somebody who has been so successful. Fortunately, as I mentioned, he put a team in place that I am going to rely on to continue the success that Cobb has had. We've got an excellent R&D group that has done an outstanding job in producing quality products for us. We fully intend to expand our portfolio of products and continue to build a team that can service and support them once they go into the field with the customer base.

**Q:** *You mentioned the tremendous growth which is evident in the industry worldwide. Do you see the competition for supplies of grain to produce bio-fuels, rather than using it for animal feed, in some way as a barrier to future growth of the industry?*

**A:** No, I don't see that there's going to be a barrier to the future growth worldwide. I think poultry meat is recognised as the cheapest source of protein in the world, and it's one that is in all markets. If you look at the levels of consumption in some countries in Asia, I think there is without question an ability to continue growth. We have to remember that there is going to be a challenge with grain issues, but we are also producing the most efficient protein when it relates to the amount of feed to a pound of protein or a pound of meat. I think it is very important that we continue to work and improve our genetics, continue to drive feed conversion and offset some of these challenges. ■

