

AgDevCo^o

UZIMA CHICKEN LIMITED: The Impact of Improved Poultry in Rwanda

Impact Assessment Summary Report



1. INTRODUCTION

ABOUT AGDEVCO

AgDevCo is an impact investor supporting the development of agribusinesses in sub-Saharan Africa.

The company provides patient capital in the form of debt and/or equity to African-based companies that have the potential to achieve far-reaching development impact. Our vision is a thriving commercial agriculture sector which benefits both people and the planet.

We contribute to this by investing in and supporting early stage agribusinesses to create jobs, produce and process food and link farmers to markets. We help build sustainability and bankability in these businesses as we work with them during our investment.

AgDevCo's current portfolio has \$135m of committed funds into 50 companies.

To date, AgDevCo's investments and technical assistance (current and exited investments) have engaged 526,000 customers (37% of them women) and created or sustained 15,000 jobs (22% women).

ABOUT UZIMA CHICKEN LIMITED

Uzima Chicken Limited is an East African poultry company that produces and distributes Sasso breed chickens in Rwanda and Uganda. The company's aim is to create value for rural households by providing better quality meat and eggs for consumption and sale.

The Sasso breed is resistant to disease and can feed through scavenging, so excels in outdoor 'backyard' environments in sub-Saharan Africa. Sasso poultry can be reared by rural households using the same low-intensity management practices they use for traditional, less-productive chicken breeds.

In 2017, AgDevCo invested \$3m of debt to support Uzima's establishment in Rwanda. AgDevCo's investment has given Uzima the operational funding to grow rapidly as a domestic producer of day-old chicks, in line with the Government of Rwanda's strategy to achieve poultry self-sufficiency within two to three years. Since 2019, AgDevCo's Smallholder Development Unit (with assistance from the Mastercard Foundation and UK aid) has supported Uzima in expanding to Uganda, where it is rapidly scaling up its operations.



33% women

Women made up 33% of the customers who had purchased Sasso birds in 2019, an increase from 25% in 2018



2. SUMMARY OF FINDINGS

In order to understand the impact of its investment, AgDevCo commissioned surveys of Uzima’s sales agents and the customers they sell to in Rwanda, in late 2018 and again in late 2019.

AgDevCo commissioned LTS International Limited to carry out surveys of Uzima’s agents and customers in Rwanda in November 2018. A follow-up survey was carried out in November 2019, this time including a sample of people recruited to assist the agents in marketing, who are called Cell Ambassadors (CAs).

The survey team sought to interview the same agents and customers in 2019 as in 2018, although those who were no longer selling or rearing Sasso chickens were replaced with new respondents. The agents and customers interviewed are not representative of the whole agent or customer population that are reached by Uzima. However, the eight districts where the surveys of customers and CAs were carried out were purposively sampled to include variation in agro-ecological zones across Rwanda. The CAs interviewed are representative of the CAs in those eight districts. The sample details are below.

The survey data show that Uzima is creating a profitable opportunity for agents, that Sasso birds are more productive than traditional poultry breeds, and that farming households are generating additional income from selling meat and eggs as well as consuming eggs themselves.

Key challenges highlighted in the survey are the cost of feed and the need to find a sustainable business model for the CAs who have been recruited to assist the agents in marketing Sasso poultry. Finding solutions to these challenges will enable Uzima to continue scaling up its operations and provide a significant boost to rural economies in Rwanda and the East Africa region.

STUDY SAMPLE	2018:		2019:	
	TOTAL	SAMPLE	TOTAL	SAMPLE
AGENTS	225 (26% women)	98 (50% women)	421	177 39 of the 2018 sample 108 new agents 30 lapsed agents (shorter survey)
CAs	Not applicable	Not applicable	805	139 from eight purposively-sampled districts
CUSTOMERS	(not known)	162, including 10 sampled at random from among customers of Uzima agents in eight purposively-sampled districts. Those who purchased from women agents were over-sampled relative to those purchasing from men agents.	(not known)	254, including: 71 from the 2018 sample 89 new respondents, selected at random from CAs’ lists of customers during 2019 94 from the 2018 sample who had not purchased SASSO birds in 2019

3. UZIMA’S OPERATING MODEL

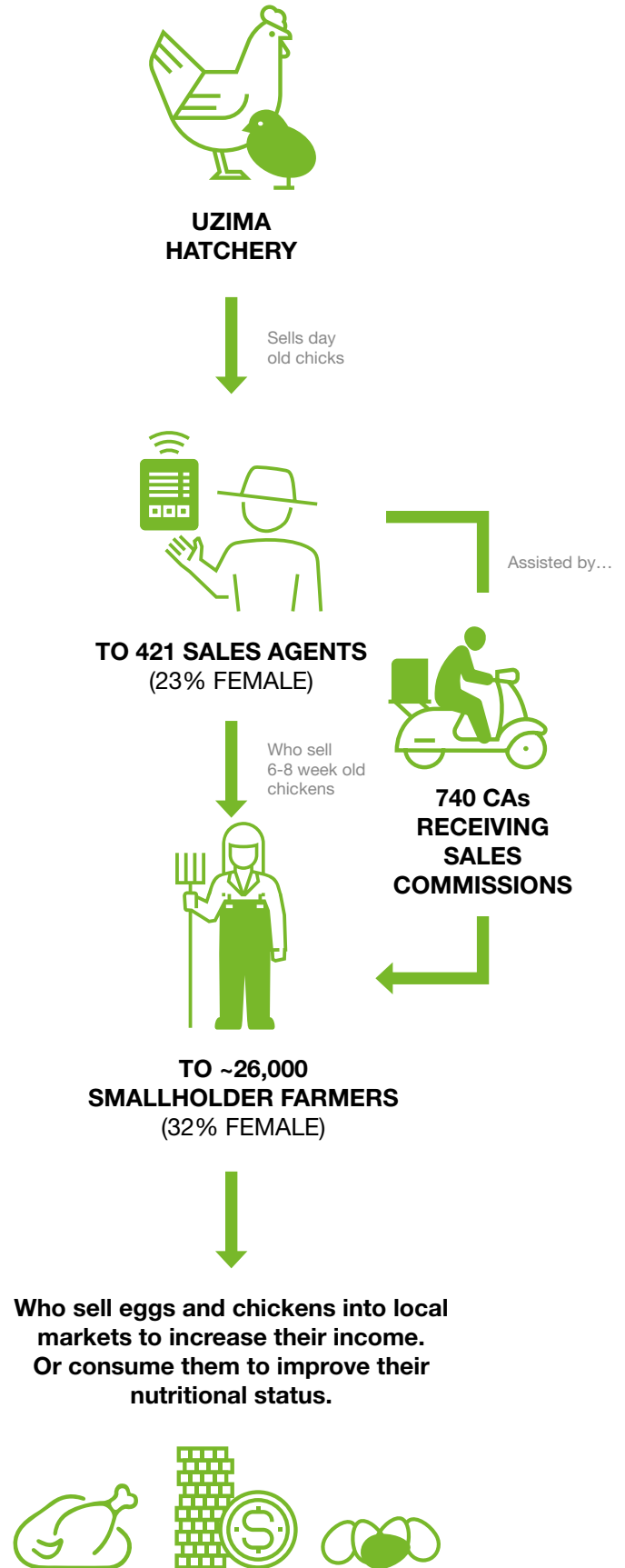
Uzima’s operations in Rwanda are based on the successful model developed by EthioChicken, its sister company in Ethiopia.

The company produces and supplies Sasso day-old chicks (DOCs) to a network of sales agents located throughout Rwanda. These agents handle the critical early rearing stage and then sell the pullets at the age of six to eight weeks to low-income households in their area. In late 2019, the network of agents numbered 421 in total (a quarter of whom were women), and were present in every district of Rwanda.

Sales agents are provided with a full package of support, including training, feed, vaccines and medicine, in order to ensure that smallholder farmer customers receive healthy and thriving birds. Nevertheless, acting as an agent is a complex role that requires not only the capital to invest in purchasing and rearing the DOCs, but also the time and aptitude to promote and market the birds among customers.

One of the clear findings from the November 2018 survey was that identifying potential customers was a major bottleneck for growth for the agents. Uzima responded by recruiting a network of Cell Ambassadors (CAs) to support agents in marketing their chickens.

The CAs are tasked with promoting Sasso poultry among customers and taking orders on behalf of agents, receiving a small commission from the agents on each chicken sold.



4. SURVEY FINDINGS

4.1 AGENTS

Agents typically make around 25% profit from selling Sasso birds, but the challenge of high feed costs is a threat to sustaining that profit.

KEY LESSON FOR IMPROVEMENT

Feed costs, access to capital and difficulties with marketing birds are key reasons for high agent turnover rates.

KEY FIGURES

923

Average number of birds sold by each agent in the past year

25% - RWF 443,000 (\$470)

Average profit margin in the past year

27% (31% among women agents, 25% among men)

Proportion of household income coming from selling Sasso poultry

64%

Proportion of women agents reporting a positive change in their decision-making power in the household

The survey data confirm that, when costs are controlled, and sales are made in a timely manner, acting as an Uzima agent can be a profitable business. Modelling based on the average costs and mortality rates reported by agents suggest that agents can make a profit margin of around 25%.

Agents had sold 923 Sasso birds on average in 2019, more than the 764 sold in 2018 by those who were interviewed in that year. Factors limiting further growth are the need to carefully time the purchase of DOCs to meet limited market demand, the high costs of feed, and the difficulty of managing mortality rates.

Most agents have clear economic drivers for investing in the poultry business: 77% took up the opportunity to work with Uzima because they believed it would be more profitable than other businesses, and 43% believed that it would be lower risk than the alternatives.

Sales agents are generally satisfied with the inputs and information provided by Uzima. 60% of agents were linked to CAs by the end of 2019, and said that they found this support valuable. While many agents still highlighted that finding enough customers was a serious constraint to growth, the proportion who mentioned this had decreased rapidly since 2018 (see graphic on page 7).

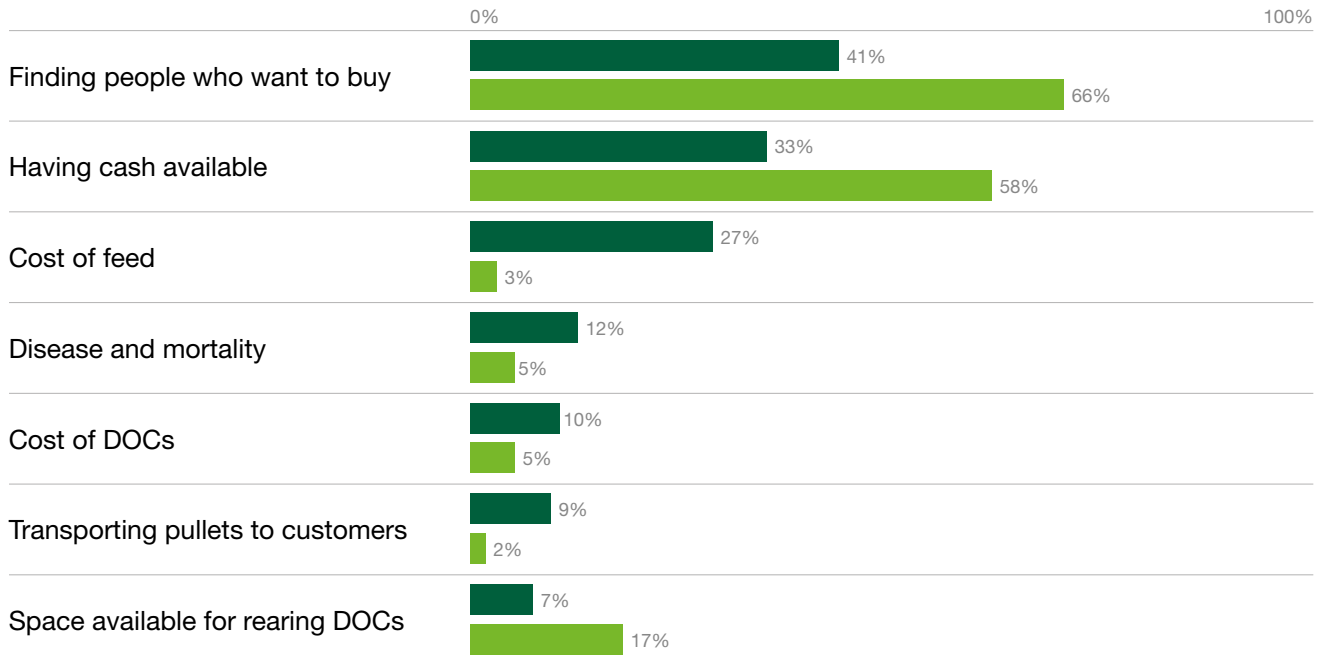
The cost of feed was a common theme highlighted by agents, CAs and customers in the surveys, despite one of the major advantages of the Sasso breed being its ability to scavenge. Scavenging is a challenge because certain localities are restricted in terms of allowance for free-range practices by local governments. 41% of agents said that they advise farmers to let the birds scavenge as much as possible, while 15% said that they advise against scavenging as a feeding strategy. The cost of feed was cited as a concern by more of the survey respondents in 2019 than it was in 2018. Feed costs in Rwanda did rise periodically with raw material shortages, but have normalised in 2020.

The rate of turnover in agents was high during 2019: only 42% of the agents surveyed in late 2018 were still working for Uzima 12 months later. When 30 lapsed agents were interviewed, most of them cited difficulties in marketing the birds or needing the capital for other purposes as their key reasons for dropping out. More than half of these lapsed agents mentioned the cost of feed as a key disadvantage of raising Sasso birds. On the other hand, three quarters of them said that they were satisfied with the training and support they had received from Uzima, and two thirds said that they expected to buy from Uzima again in the future.

Acting as an Uzima agent appears to have had a positive effect on women's empowerment. The majority of women agents said that their decision-making power in the household had increased since they started acting as an agent, as a result of being able to meet household needs from their personal income.

AGENTS CHALLENGES MARKETING SASSO BIRDS

■ % agents surveyed agreeing in 2019
 ■ % agents surveyed agreeing in 2018



4. SURVEY FINDINGS CONTINUED

4.2 SMALLHOLDER FARMERS

Customers have found that the productivity of Sasso poultry far exceeds that of traditional, local breeds. Customer households are consuming Sasso eggs as well as generating income from sales of eggs and meat.

KEY LESSON FOR IMPROVEMENT

Only a small minority of customers are relying completely on scavenging to feed their Sasso birds. On average, customers are spending as much on feed as on purchasing the birds in the first place.

KEY FIGURES

50%

of customers surveyed in 2018 bought Sasso chickens again in 2019

33%

of customers are women

54%

of customers are living below the \$2.50 per day poverty line¹

34

Average number of SASSO birds purchased in 2019

19

Average number of Sasso birds (live) sold in 2019

53%

Customers' households who consume Sasso eggs themselves

There is a lot of variation in the scale at which customers are operating. 55% of farmers bought 10 or fewer Sasso birds during 2019, while a few had purchased hundreds and were operating their business at a commercial scale. The figure of 19 Sasso birds sold by farmers on average during 2019 is also biased by these larger-scale farmers: nearly half of farmers did not sell any birds at all during the year.

Farmers have found Sasso chickens to be significantly more productive than traditional poultry. According to the survey data, Sasso chickens produce eggs at a younger age and lay, on average, nine more eggs per month (60% higher) than traditional birds. Farmers sell Sasso birds on average for RWF 5,100 (\$5.30), nearly double the price of a traditional bird (RWF 2,125 or \$2.25). However, customers also spend more on feed, veterinary services and housing for Sasso than for traditional birds, so margins per bird are similar.

Like the agents, many customers identified the cost of feed as a challenge. Most farmers use a combination of feeding methods, but 88% said that they purchased at least some feed. On average, farmers spent as much on feed as they did on purchasing the Sasso chickens.

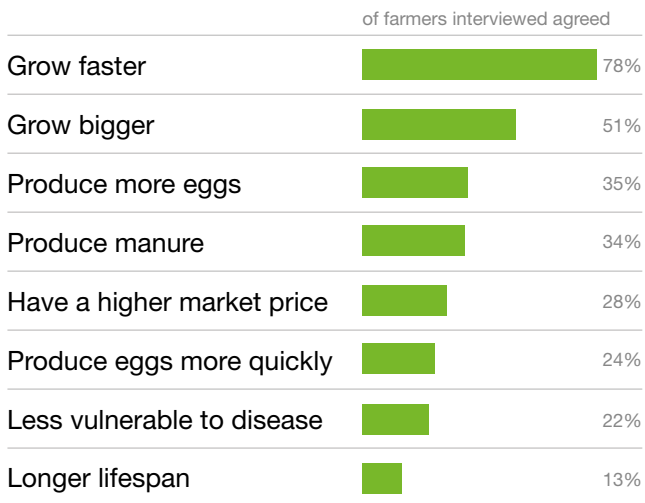
Women made up 33% of the customers who had purchased Sasso birds in 2019, an increase from 25% in 2018. Women have much smaller flock sizes than men (they purchased under half the number of birds as men did, on average), and are consequently generating less income.

Just over half of customers said that they consume eggs from their Sasso flock in their household – those households eat an average of 35 Sasso eggs per month. This is a significant contribution towards the Rwandan government's national protein targets. However, only a minority of the farmers (37%) had eaten any of their Sasso chickens, and most of those had eaten only one or two during the year. The majority of those interviewed had also used manure from the chickens on their farmland.

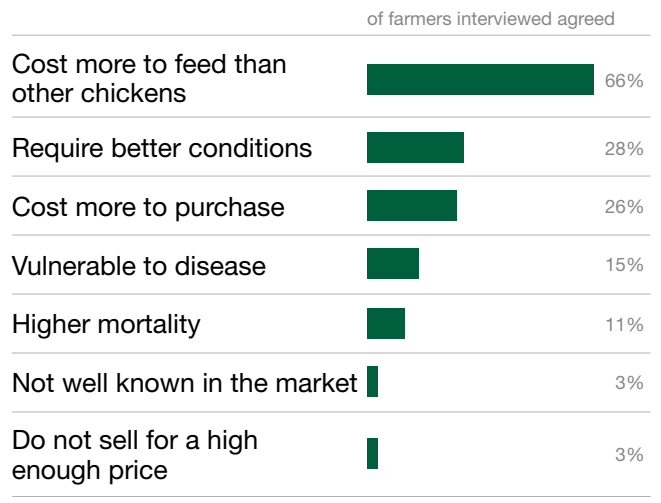
1 Measured in 2005 dollars at purchasing power parity, using the Simple Poverty Scorecard, http://www.simplepovertyscorecard.com/RWA_2010_ENG.pdf



ADVANTAGES OF SASSO COMPARED TO OTHER CHICKENS



DISADVANTAGES OF SASSO COMPARED TO OTHER CHICKENS



4. SURVEY FINDINGS CONTINUED

4.3 CELL AMBASSADORS (CAs)

CAs are providing a key role in the value chain by connecting agents with customers – but the financial return to them is marginal.

KEY LESSON

Many of the current CAs are motivated by non-financial objectives, such as gaining recognition or performing a service for their community.

KEY FIGURES

14%

of CAs are women

42

Average number of chickens sold in the past month

9

Average number of customers sold to in the past month

RWF 4123 (\$4.30)







Average gross income from sales in the past month

The income generated from acting as a CA is small – in fact, the majority reported that the costs they incurred in marketing Sasso birds in the last month were greater than the total commission they received from sales. On the other hand, many CAs are not motivated purely by financial considerations. When asked about their reasons for becoming a CA, only a third said that they were seeking to increase their income. Many mentioned wanting to provide a service to others or contribute to the development of their local area as important motivations for taking on this role, while others cited the recognition and respect they could gain from other community members.

Several of the CAs interviewed were already working as volunteers or agricultural advisors, and found this role compatible with their existing responsibilities.

Only 7% said that they had to give up some other activity in order to work as a CA.

CHALLENGES IN MARKETING SASSO CHICKENS

	of CAs agreed	
Farmers do not have enough money		37%
Price is high compared to other chicken breeds		33%
Not possible to keep free-range animals		21%
Many people do not have experience with keeping poultry		14%
Cost or availability of feed		12%
No demand for eating chicken or eggs at home		6%

5. NEXT STEPS FOR UZIMA



The two surveys have confirmed that agents and customers are benefiting financially from their engagement in the Sasso value chain, and that farmers are also consuming more eggs and (to a modest extent) more poultry than they did previously.

Demand from customers is the main constraint to the growth of the business model, both for sales agents and for Uzima itself. While many smallholder customers feel that Sasso poultry offers the right balance between risk and profitability compared to other enterprises, the majority of smallholders do not have the available capital or the commercial appetite to invest in large numbers of birds. Uzima is committed to continuing to increase the number of farmers reached by Sasso chickens, but it is likely that many of these will continue to function as subsistence producers, without the capacity to raise large flocks.

The company is now considering how to supplement its growing agent network in order to reach larger numbers of customers efficiently. Approaches now being tested include working with farmer groups, developing a more cost-effective feed mix for agents and farmers, and actively developing the market in underserved regions.

CAs have clearly been instrumental in enabling agents to reach greater numbers of farmers. However, since the financial benefits to the CAs are so small, Uzima was relying on their social motivations to make this model work. Following this survey, the company has increased the rate of commission paid to CAs to incentivise sales, and will be carefully tracking the performance and turnover rates of CAs in the coming months and years.

Additional recommendations include:

- > Ensure that agents encourage customers, especially those with fewer resources and who are rearing chickens at smaller scale, to allow Sasso poultry to feed through scavenging as much as possible.
- > Reduce mortality by advising agents on how to minimise stress to the birds during transportation and by providing animal health advice to farmers, particularly those with larger flocks.
- > Investigate CA turnover rates and the costs and benefits of the CA model to the business over time. This can be also be part of a process to develop tailored marketing and outreach strategies for smallholder and commercial producers, respectively.

FURTHER INFORMATION

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