

## Eagle Lager – creating new markets for sorghum farmers

SABMiller

In 2000, the spark of an idea was born that would result, less than five years later, in an innovative, top-selling product with market shares of 50 and 15 per cent in Uganda and Zambia, respectively, and with direct financial benefits for over 10,000 farming families. Launched in Uganda in 2002 and Zambia in 2005, the award-winning Eagle Lager is now set to expand to other African countries, and potentially to other regions.

Importantly, the idea was driven by a business imperative, not philanthropy. Ian Mackintosh, the then Technical Director at Nile Breweries (the Ugandan subsidiary of SABMiller), had set himself the challenge of bringing down the cost of beer. With 60 per cent of Ugandans living on less than US\$1 a day, quality commercial lager beer had been out of reach for most consumers. As Ian notes, “The imperative for growth and profitability drove Nile Breweries to seek mechanisms for lowering the financial barriers to entry into the clear beer market, thereby attracting new consumers to the category”.

One factor behind the relatively high price of beer in Africa is its reliance on imported inputs. Yet this accounts for only around 15 per cent of the final retail price. By far the larger factor is taxation: reducing the price meant finding a way of reducing the level of excise and passing the savings on to the consumer. The solution lay in an innovative approach to manufacturing and sourcing. By switching to an indigenous raw material – sorghum – and using small-scale farmers to supply it, the brewery was able to simultaneously replace expensive imported ingredients, and convince the Ugandan and Zambian Governments to cut excise duties by at least half. While sorghum lager is slightly more expensive to produce than other beers, its retail price is still around a third less than the price of lagers that use imported barley, thanks to the favourable excise structure.

For a product less than 4 years old in Uganda, and only 1 in Zambia, the benefits of Eagle Lager have been striking: for the business, for the farmers in the value chain, for consumers and for the national economies of the two countries.

### *The business*

Simply put, the project has met its primary objective – to reduce the costs and price of beer and thereby attract new consumers and grow market share. Strong market shares have translated into significant bottom-line results for the business. In Uganda, where Eagle Lager is Nile Breweries’ top-selling Ugandan brand, the company has already recouped its initial investment. Beyond the financial benefits, the business has also received positive coverage in the national media and enhanced relationships with government.

Perhaps most importantly, Eagle has challenged the existing business paradigm. Ian Mackintosh, Technical Director at Zambia Breweries, sees it as a model for the future development of the brewing industry in the developing world: “We can and indeed must think outside the box to find opportunities for use of locally derived ingredients”.

### *The farmers*

The messages from the farmers in Zambia’s Mumbwa District are clear and consistent. Most striking is the fact that Eagle Lager has single-handedly created a new and credible, long-term market for sorghum as a cash crop. Purchase agreements are signed in advance that guarantee prices at levels considerably above market rates. Sorghum, itself, also has particular attractions for farmers: compared to other crops: it is more drought- and flood-resistant, higher yielding with more stable prices, and easier, cheaper and so more profitable to manage. As adviser to CARE International, Belmar Bayombong, puts it, “Eagle has ignited the enthusiasm of farmers”.

In total, Eagle lager has brought 8,000 small-scale farmers in Uganda and 2,500 in Zambia into its supply chain. Assuming an average of 6 dependants per household, this translates into benefits for 63,000 people. Notably, a large proportion of farm households are headed by women – around 40 per cent in the southern province of Zambia. In each Uganda and Zambia, the company is spending US\$1.4 million on the purchase of sorghum, of which approximately 75 per cent goes direct to the farmers (the balance goes to post harvest handling by third parties).

Behind these numbers are stories of people improving their quality of life. A study by charity CARE International, suggests that farmers in southern Zambia could expect to see incomes rise by 50 per cent, with similar benefits reported by farmers in Uganda. A recent evaluation of the Eagle Lager project in the Soroti District in Uganda, conducted with the local government, reports a range of benefits identified by farmers. This includes the fact that an assured income allows farmers to plan for their futures, and has enabled them to send their children to school, buy more land and oxen for ploughing, eat better, afford improved health care, and employ other people to help them with planting. Care International has observed similar impacts in southern Zambia.

Importantly, the project has contributed to the development and strengthening of the small-scale private sector – the family farms that represent by far the largest share of the private sector in most African countries. As Chris Hawke, director of the commodity brokers for Zambia Breweries, puts it: “farmers don’t want handouts. Our aim is to develop them into commercially viable entities – into our equal partners”.

### *The consumers*

Over 60 per cent of Ugandans and Zambians have incomes of less than one US Dollar a day. For most low-income communities, the only alcoholic beverage available is an illicit and unrefined local brew, usually produced through unhygienic processes with weak quality control. Eagle Lager has given people a healthy and affordable alcoholic alternative.

### *The economy*

Growth in agriculture is central to growth in the rest of the economy; agriculture accounts for around 32 per cent of GDP in Uganda and 23 per cent in Zambia. And significantly, most people work in the agriculture sector – 79 per cent in Uganda and 68 per cent in Zambia. So by targeting the small-scale agriculture sector, Eagle Lager is contributing in an important way to the countries’ efforts to accelerate growth and poverty reduction.