

Nando's/Crown National Feasibility Study  
**End of Project Report**

*Prepared for*

Chemonics-RAPID / USAID-RCSA

*By*

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*27 August 2004*

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## **Introduction**

The relevant section of the 'background' description contained in the project's Scope of Work (see Appendix A) reads as follows:

Nando's, a South African based chicken franchise restaurant, opens its doors to the fast food market in 18 countries on three continents. In addition to its popular spicy chicken and chips, Nando's bottles 40 sauces sold in supermarkets and restaurants. Fifty percent of this multimillion dollar operations originates in the United Kingdom. Approximately 23 percent of sales are in South Africa. The company's aggressive market development services a important Africa market.

After recent entry into the Dubai and Australia markets, Nando's market strategy is "every chili is kissed by the African sun." New market strategy in tow, Nando's is poised to enter the lucrative U.S. market. With a quality first approach, the company wants product traceability for its spicy formula back to origins. In January, Nando's plans to open two new restaurants in Harlem and Beverly Hills (CA). Nando's sauces entered the U.S. market over two years ago and are sold in Safeway's, Albertson's and Ralph supermarkets.

Crown Spice, an international buyer of assorted culinary herbs and spices supplies 100 percent of Nando's ingredients. Approached by Robert Brozin, Director, Nando's and reinforced by a senior staff, RCSA staff and ASNAPP/South Africa began dialogue to source birds eye chili from local Southern African small scale farmers. After follow up meetings with Crown Spice, it was decided five spices would be the focus of a small scale producers' project through Agribusiness in Sustainable Natural African Plant Products (ASNAPP). The spices are: coriander, birds eye chili, dried onion, dried garlic and sweet peppers.

The task schedule was divided into four parts, broadly including meetings with USAID-RCSA, Chemonics-RAPID, Nando's representatives, Crown National representatives, farmers and associated representative groupings, government and other support organizations, and role-players at the various levels of the supply chain.

Deliverables included the development of a business plan with target farmers, a supply chain analysis of the five products listed in the scope of work 'background', the organization of a post-harvest quality and handling workshop, a supply chain description and analysis, and write-up of the deliverables.

From the outset the project has been characterized by poor information on products and quantities required, poor communication channels and follow-up from various existing and potential role-players, and confusion regarding the respective roles and responsibilities of various USAID agencies operating in the Southern African region.

This report aims to outline the activities undertaken to date, the challenges and difficulties experienced, progress made towards realizing the project's deliverables, and finally conclude and make proposals on a possible way forward.

## Activities Undertaken

A bulleted description of meetings held, discussion points and relevant dates, categorized by task, is as follows:

### Task #1

*Visit to RCSA and Trade Hub to make contact and to receive documents re: the project concept. LOE: 1 day.*

- Meeting at RCSA – Jerry Brown, 29/4/04

Received list of people to make contact with:

- John Heerman, Noah Zimba – Zimbabwe Paprika Project
- Peter Manda, Steve Hagelblade – IDE Study
- Simon Oosterman – NASFAM, Malawi
- Petrus Langenhoven – University of Stellenbosch
- Technoserve, CLUSA – Mozambique
- Making Markets Matter – Dave Witherspoon

Regarding Deliverable #1, made mention of software developed by CSIR – contact person: Dave Harcourt

Regarding Deliverable #2, mentioned need to look at any possible ‘hidden costs’ as well as crops to do simultaneously in order to spread risk. Also mentioned need for extension services and ‘product stewardship’.

Regarding Deliverable #3, mentioned need to obtain quality specifications from Crown National, and possibly run a workshop for farmers.

- Meeting at Trade Hub – Nancy Jaffie

Contract and claim procedure finalization.

### Task #2

*Meet with ASNAPP/South Africa project manager and Nando’s food technologists and Robert Brozin and Jeff Block (Directors). These meetings are to allow first hand knowledge about intent of the project, type of liaison between the project and Nando’s and what kind of working relationship expected with Crown Spice. Crown Spice should also be at this meeting.*

- Meeting with Elton Jethas and Petrus Langenhoven (A-Snapp)

Mentioned difficulties previously experienced obtaining cooperation and information from John Morris of Crown National. Also mentioned list of farmers currently being

serviced by A-Snapp, and availability for project. Both to be unavailable for two weeks due to Senegal trip.

- Meeting with Rochelle Schatzl, Nando's

Explains that primary contact person is to be John Morris of Crown National, as sole supplier of spices to Nando's. As such, claims it unnecessary to meet with Robert Brozin and Jeff Block.

Nando's sources 60t of Birds' Eye chillies per annum. Seeking to source cayenne pepper, bell peppers, paprika, and birds' eye chillies from emerging farmers. Mentions Bidvest might be willing to invest in drier facilities.

Rochelle in process of resigning – to be replaced by Charlotte Bloem.

### Task #3

*A separate meeting with Crown Spice should cover, specifically what products, volume, specification, time line of communications, timeline of product delivery, type of QA/QC system required, identify contact person that will liaise with farmer groups, procedures of payment to farmers, sanitation, type of liability insurance required by farmers if any, variety of products needed, where to source the best germplasm, post harvest handling, among others. And very importantly, product traceability to origins, how will this be accomplished?*

- 27/05/04: Meeting scheduled with John Morris – attended by Jaco Visser

Jaco Visser is the technical specialist. Mentioned current sourcing of Birds' Eye chillies, Cayenne pepper, paprika. Explained previous problems experienced with non-delivery by contracted farmers as well as sourcing of products from Malawi, Zimbabwe. Contract prices are negotiated in advance for the season, and contracts are renewed seasonally.

Jaco agreed to forward product specifications after consulting with John Morris. Even though technical specifications were subsequently requested, these were not forthcoming.

- Repeated requests for meetings and/or telephonic discussions with John Morris received no response.
- Meeting finally scheduled for 18 June 2004 in City Deep, JHB.

### Task #4

*On farm data collection and analysis is required to determine production costs. From seed to delivery of final products, a complete flow chart with accompanying costs are needed. In addition, as most of the farmers will be small scale emerging farmers, what kinds of government (provincial or national) support projects might be leveraged to benefit the producers?*

- Meeting with Riaan Breedt, ECI/PAL - Polokwane. 12/05/04

Provided background on previous Birds Eye chillie projects in the Limpopo province, and problems experienced with drying produce consistently

Visit to 3 farmers in the Tzaneen area – only one of which can be classified as a small-scale farmer. Riaan expressed difficulty in finding farmers with farms of a size less than 15 ha.

Has provided indicative production costs for Birds Eye chillies.

- Meeting with Bigman Maloa, Freshmap Marketing – JHB, 14/05/04

Works with farmers in Makathini (KZN, 140 Ha farmed), Marble Hall (Mpumalanga, 60 Ha farmed), Messina (Mpumalanga, 30 Ha farmed) and Komati (Mpumalanga, 45 Ha farmed). Sources Bird's Eye chillies, Habaneros, Serranos, garlic, coriander, marjoram, thyme, oregano, basil and mint. Employs agricultural college graduates as extension officers.

- Meeting with Johan Stassen, Technical Specialist, Hygrotech (seed supplier) – Pretoria, 18/5/04

Obtained information on seed variety availability, production guidelines and schedules, and availability to conduct training for farmers. Response was positive.

- Meeting and farm visits with Invest North-West and the Royal Bafokeng tribe – Brits, Rustenburg, 26 May 2004

- Meeting with Dr de Bude – Chief Director, Gauteng Dept of Agr & Land Affairs – 1/6/04

Expressed interest in project and assigned staff to find farmers to participate. Expressed willingness to allocate extension officers to project.

First tangible response from staff received 24/8/04. Awaiting list of farmers and farm details.

- Collected price and crop information from the National Dept of Agric and the Agricultural Research Council (Roodeplaats) at various times.

- Crown National meeting with A-Snapp and J. Brown, CT – 25/6/04

Jerry received product list and positive response to project from John Morris

- Received Crown national product list - 9/7/04

Product list received from Jerry Brown. List of products required was substantially changed to include a number of herbs

- Liaison with Simon Oosterman regarding Malawi to supply Birds' Eye – from 3/8/04

Decision for Simon to supply Birds Eye chillies and possibly cayenne and bell peppers

- Request for farm and farmer details from various roleplayers – 3/8/04  
NW response received 5/8/04. Scheduled meeting with provincial Dept of Agric to finalise farm and crop choices. Meeting confirmed for 23/8/04.

S. Oosterman also responded immediately. Still awaiting responses from other roleplayers.

- Various telephonic discussions with Jill Axten – successful Gauteng baby veg and coriander farmer, with successful empowerment scheme.
- Various telephonic discussions with Elton Jefthas, A-SNAPP
- Meeting with Hygrotech Brits office – 19/08/04

Committed to assisting with quotes on establishment and production costs, assisting with establishment of pilot farms for project, and to provide training workshops for trainers.

- Meeting with various North-West Dept of Agriculture reps - 23/8/04  
Commitment to mobilize farmers and assist with final identification, extension support and possibly provision of financial assistance for aspects such as training etc.

## Challenges and Difficulties Experienced

### 1. Poor information on products and quantities required

The scope of work lists the following products (and does not specify quantities required): coriander, birds eye chillies, dried onion, dried garlic and sweet peppers. The eventual list of products required, and the respective volumes, was as follows:

Product	kgs - dry
Basil - Whole	2070
Green Bellpeppers - 9mm indent	10200
Red Bellpeppers - 9 mm indent	7350
Green Bellpeppers - 3mm indent	870
Garlic Powder	69000
Onion Powder	64200
Onion Flakes - 3-5mm	19800
Oreganum - Rubbed	22200
Parsley - Rubbed	13800
Pepper - Black, Whole	100200
Pepper - White, Whole	61200
Nutmeg - Ground	39000
Thyme - Rubbed	900
Tumeric - Ground, Rajapuri	13500
Birds Eye Chillies	1800
Coriander, Whole	96000
Cayenne Pepper	27000

The respective quantities of additional products in relation to the originally envisioned products are tabulated below:

	kgs
Volume of products on original list	269220
Volume of added products on revised list	279870
Total product volume	549090

The additional product requirements exceed the original requirements in terms of both the range of products and the quantities required.



## *2. Poor communication channels and follow-up*

Difficulties experienced in this regard were: the ‘hands-off’ approach from Nando’s; poor accessibility and responses of Crown National; a slow provincial government apparatus; the need to manage farmer expectations.

### *a. Nando’s ‘hands-off’ approach*

The initial meeting with Nando’s was held with Rochelle Schatzl, who subsequently resigned and was replaced by Charlotte Bloem. Charlotte made it clear that Nando’s had placed procurement responsibility with Crown national, and that the primary driver for the project would be John Morris. As such, a meeting with Robert Brozin and/or Jeff Block was considered unnecessary. Charlotte asked only the she be updated as matters develop.

### *b. Poor responses and accessibility of Crown National*

John Morris of Crown National was either traveling or unavailable on most occasions. When a meeting was finally scheduled for 27 May 2004 in Cape Town, John was unavailable and had left no prior notice. The meeting was held with Jaco Visser, a technical specialist who reverted to John for decision-making. While Jaco had verbally committed to sending product specifications through, this did not materialize despite a request being made for the information.

Around the middle of June 2004, John Morris made contact to set up a meeting on 18 June 2004. His response at the meeting appeared positive, and it was agreed to schedule a meeting with Jerry Brown and Nando’s. This meeting eventually happened in the second half of July.

### *c. Slow provincial government responses in South Africa*

Provincial government agencies in the North-West, Gauteng and the Western Cape were contacted regarding the project. Positive responses were received from both the North-West and Gauteng, of whom consistent contact has been maintained with the North-West province. The Gauteng provincial government responded concretely by telephone on 24 August 2004, after a meeting held on 1 June 2004 and a number of follow-up calls.

After receiving the Crown National product list from USAID-RCSA on 9 July 2004 (and a trip to Angola for USAID/Chemonics lasting until 29 July 2004), a list of candidate farms was received from the North-West on 5 August 2004, and a meeting scheduled with various provincial Department of Agriculture officials for 23 August 2004 – the earliest at which the provincial officials could be available.

### *d. Managing farmer expectations*

As it was considered unwise to raise farmer expectations on the possibility of a contract with Crown National prior to having finalized a feasibility, the identification of target farmers (and the associated production costs and possibilities) was left to the governmental departments and support organizations (ECI-Africa, A-Snapp) contacted.

As such, final production costs and supply chain roleplayers were planned to be outlined towards the end of the study.

There was also a need to identify farmers most likely to succeed at the outset of the program, in order to contribute towards developing trust and credibility with Crown National as the buyer. The targeting of farmers was thus regarded as a process to be engaged in slowly.

### *3. Confusion regarding roles and responsibilities of SA USAID agencies*

Confusion and a certain amount of frustration was expressed by the two USAID agencies contacted in South Africa to participate in taking the project forward. A-SNAPP had already worked on the project prior to this consulting assignment, and Elton Jethas of A-SNAPP expressed significant frustration regarding previous interactions with John Morris of Crown National.

ECI Africa, on the other hand, was willing to participate in the project, but expressed confusion regarding the initiation of the project from the USAID-RCSA office, and the exact role they were to play in taking the project forward. They eventually committed to helping facilitate market linkages as well as providing extension support to farmers..

## **Progress Towards Deliverables**

### Deliverable #1

*A business plan will be developed with target farmers. The business plan will demonstrate not only whether it makes business sense to proceed with this project, but also break even points as well as what is the return on the investments for the farmers.*

Target farmers in SA are yet to be finally identified. There are candidate farmers in the North-West, and NASFAM in Malawi is planned as a chilli and sweet pepper supplier.

Responses awaited from Gauteng Dept of Agriculture (telephonic response obtained on 24/8/04) and ECI-Africa – Limpopo.

Baseline crop information has been collected. Business plan feasibility is dependant on region, crop, available infrastructure at targeted farms, establishment costs, and transport costs.

### Deliverable #2

*Supply chain analysis for the five products is to be developed. The farmers, in a collective meeting, will see what they are responsible to do in the supply chain. And will be shown how to price their products. Pricing and product stewardship go hand in hand, thus farmers will be provided several scenarios for funding this activity. Each scenario will include some investment from the farmers.*

Final decisions on target farmers and crops are yet to be made. List of 5 products was subsequently changed to a list of 17 products.

### Deliverable #3

*Post harvest quality and handling workshop will be organized by the consultant. The consultant will provide, through the workshop, a complete description of the supply chain and how the product is to be handled at every level. The methodology for the workshop will be interactive and understanding by doing. Farmers will actually see how other producers handle their product and monitor and control the product through various critical control point monitoring systems.*

Hygrotech has committed to providing training for trainers in production and post-harvest handling in the North-West – and will probably offer to do so elsewhere in Southern Africa.

Gili van Niekerk, a successful herb farmer in Brits, with drying facilities, has also indicated a willingness to assist with training and make drying facilities available.

Supply chain description has been delayed by decisions on regions and crops.

#### Deliverable #4

*Deliverable 1-3 will be written in detail and will serve as the final report for this feasibility study. This study will be the property of ASNAPP, farmers associations, RCSA and Chemonics.*

Regular written and verbal feedback regarding delays in the project have been provided. Write-up has been delayed accordingly.

### **Conclusions and Way Forward**

There have been a number of positive aspects to the project. At a conceptual level, the project has all the right ingredients for success – an established market buyer willing to enter into supply contracts with emerging farmers, government and support agency willingness to assist farmers, positive responses from other role-players in the supply chain, and available farming land throughout the country.

It is not difficult to compile information regarding crops and the supply chain. Between the Agricultural Research Council, the national and provincial Departments of Agriculture and the various input and infrastructure suppliers servicing the different regions, most of the necessary information is accessible regarding the 17 or so crops envisaged. Much baseline information for the various crops is already on file.

Unfortunately, a number of challenges impeded progress. Primary amongst these was the difficulty experienced in obtaining appropriate information from Crown National regarding products required and product specifications. While product specifications are still not available, responses to routine questions take a very long time to be received from Crown National. Nando's, as one of the proposed project partners, essentially absconded most responsibility for delivery at the beginning of the project.

Business plan development and the feasibility assessment has been impeded by both delays in receiving product requirements from Crown National and the final identification of target farmers. Since the identification of farmers and farming regions depends on the product requirements, this latter aspect has been substantially delayed. This has been exacerbated by the slow responses being received from the Gauteng province. Furthermore, there remains confusion around the precise definition of a small-scale farmer as envisaged by USAID-RCSA, and the applicability of this definition in a South African context.

### *Way Forward*

Should it be decided to re-instate the project, it is proposed that the following be taken into account:

- the need to establish an operational link with Crown National, and a commitment to efficient response times
- the clear delineation of roles and responsibilities for the various USAID agencies in South Africa
- a flexible approach regarding timelines in order to allow for effective farmer targeting and relationship establishment with both farmers and governmental support structures.

The overall support for the project from all current and potential role-players bodes well for the project should the above factors be satisfactorily resolved.

## **Appendix A**

**Consultant Scope of Work  
RAPID Task Order 2.4  
For  
Nando's/Crown Spice Feasibility Study  
Fazel Moosa**

### **Background: RAPID Activity and TO 2.4**

On April 11, 2000, Chemonics International, Inc. was issued a five-year contract by the Regional Center for Southern Africa (RCSA) of the U.S. Agency for International Development (USAID) to implement the "Regional Activity to Promote Integration Through Dialogue and Policy Implementation" (RAPID). The purpose of RAPID is to provide quick-response short-term technical services related to policy analysis, policy dialogue, and support for implementation of policy changes under RCSA's development assistance program for Southern Africa. RAPID supports RCSA's strategic objectives (SO's) for assisting the further integration of the Southern African Development Community (SADC) member countries in the critical areas of regional market integration (SO 2), increased cooperation in the management of shared natural resources (SO 3), and expanded commercial markets for agricultural technologies and commodities (SO 4). The Chemonics/RAPID consortium is composed of U.S. and Southern African partners with predominate capabilities to support RCSA Strategic Objectives 2, 3 and 4. Chemonics implements RAPID under an Indefinite Quantity Contract (IQC) that provides for a series of short-term task orders to be managed by a long-term Core Team, based at the Chemonics/RAPID office in Gaborone.

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## **Deliverables**

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## **Deliverable #4**

Deliverable 1-3 will be written in detail and will serve as the final report for this feasibility study. This study will be the property of ASNAPP, farmers associations, RCSA and Chemonics.

### **3. Duration of Assignment**

This assignment has a billable quota of 30 workdays, commencing not later than 27<sup>th</sup> April, 2004 and ending not later than 9 June 2004.

### **4. Location of Assignment**

This assignment will be conducted in South Africa.

### **5. Supervision of Consultant**

The activities will be supervised by Nancy Jaffie, Chief of Party.