CATALYZING AN INCLUSIVE ETHIOPIAN POULTRY MARKET

The Market System Impact of Feed the Future Partnering for Innovation’s Partnership with EthioChicken
About Feed the Future Partnering for Innovation

Feed the Future Partnering for Innovation is a USAID-funded program that builds partnerships with agribusinesses to help them sell new products and services to smallholder farmers, who represent a potential market of more than 500 million customers worldwide. Businesses are provided with the investment assistance, expert guidance, and technical support they need to expand in emerging markets and create a growing and lasting customer base for their agricultural innovations.

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About this Case Study

EthioChicken is an Ethiopia-based poultry company that provides improved breeds of day-old chicks (DOCs), along with vaccines and training to sales agents who raise the DOCs until maturity and then sell them to smallholder farmers. The company is one of the agribusinesses supported by Feed the Future Partnering for Innovation (Partnering for Innovation) that has had a transformational impact on the sector in which it operates. The partnership supported EthioChicken in scaling operations and producing its own improved chicken feed, which has positively impacted the growth, inclusiveness, and resilience of Ethiopia’s poultry market overall.

This case study, conducted independently by Triple Line, explores EthioChicken’s growth and productivity as a result of its collaboration with Partnering for Innovation. It also examines the broader impact that the company and partnership have had on the poultry market system in Ethiopia.

Through the use of an analytical framework, pathways connecting company activities to their larger impact at the market system level are identified. Qualitative and quantitative data collected for this report are then mapped against that framework. Network analysis is also applied to obtain “snapshots” of the country’s poultry market system from before and after the partnership in order to show changes and their causes. Finally, the case study builds on qualitative data collected through interviews with key informants and from focus group discussions, as well as from secondary quantitative data provided by EthioChicken.
Context

**The poultry market in Ethiopia**

For Ethiopia’s 70 million residents who live in rural communities disproportionately impacted by malnutrition and poverty, eggs and chicken meat represent inexpensive and efficient sources of protein. At the same time, the country has the lowest per capita chicken consumption in Africa. Broilers (chickens for consumption) are not widely raised, and the existing market is mostly focused on egg production. This is partly due to the inability of current production and distribution systems to meet growing demand: in 2014, Ethiopia was estimated to have a shortfall of 60 to 70 million chickens relative to demand. While chicken-rearing represents a substantial economic opportunity for the country’s 11.5 million rural households, smallholder poultry production is constrained by a lack of access to quality chicks, inputs (e.g. vaccines), and quality feed, and by limited knowledge about operating efficient and profitable chicken-rearing backyard systems.

**EthioChicken**

EthioChicken produces and distributes improved breeds of DOCs to its network of sales agents, which is comprised of individuals and members of small businesses, youth cooperatives, and women’s groups. The sales agents raise the DOCs for 40 to 45 days until they are pullets and then sell them to rural farmers across the country. This model lessens the risk facing farmers, as raising improved breeds of DOCs to maturity is capital-intensive. In addition to the DOCs, the company provides sales agents and farmers with improved chicken feed, training, assistance with vaccinations, and ongoing support. Through this approach, EthioChicken delivers a strong development impact by supplying improved varieties of poultry that are affordable, disease-resistant, and more productive than traditional breeds. Sales agents and their customers both benefit, and smallholder households (and women, in particular) are able to increase their incomes and improve their food security, nutrition, and livelihoods.
The Partnership

From March 2015 to December 2016, Partnering for Innovation partnered with EthioChicken to expand Ethiopian smallholder access to improved chicken breeds and more affordable, nutritious feed. The company received a pay-for-performance grant from Partnering for Innovation valued at USD 397,000, which enabled EthioChicken to invest in equipment, inputs, and salaries. The support came at precisely the right moment for the company: having proven the success of its model in Tigray, EthioChicken had expanded operations and sales into the Southern Nations, Nationalities, and People’s Region (SNNPR) and started to make inroads into Amhara and Oromia. In order to further scale, the company needed access to capital for developing infrastructure to increase production and quickly recruit and train the right workforce. Through its collaboration with Partnering for Innovation, EthioChicken scaled its hatchery operations, expanded its network of sales agents to reach more rural farmers, and improved its feed production and distribution capability. Over the course of the partnership, the company sold 3.2 million DOCs and 3,073 tons of feed to its sales agents who, in turn, supplied 342,172 smallholder farmers – 80 percent of whom were women.

In 2020, Partnering for Innovation began working with EthioChicken for a second time to respond to the COVID-19 crisis and to help the company improve its supply chain management. Using this additional support, the company aims to increase its inventory of stock feed to reduce the risk of supply disruption, and to train its network of agents to safely conduct sales during the pandemic.

Methodology

A framework to assess market system change

This case study utilized an analytical Market System Change Framework (see Figure 2) to understand how characteristics of Partnering for Innovation’s partnership with EthioChicken, contributed to market systems impact. These characteristics include business uplift, the roll out of innovative smallholder-focused business models, and the establishment of value chain relationships. The framework provides a simplified understanding of complex, non-linear, and inter-related pathways that ultimately result in three types of market system level impact:

- **Market growth** corresponds to an increase in economic activity at the level of individual value chains, related sub-sectors, and local economies. It represents a boost in consumer demand for products and services, and an increased capacity of suppliers and service providers to meet this demand.

- **Market inclusiveness** refers to a greater ability of those who were previously excluded from economic activity to access and supply products and services.

- **Market resilience** denotes a greater ability of the overall market system to anticipate, absorb, and adapt to a range of shocks that enable suppliers to remain operational and consumers to continue to obtain necessary goods and services. Market resilience is different from resilience of individual market actors.
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**Data collection**

In order to assess how Partnering for Innovation’s work with EthioChicken contributed towards market system level impact, the case study uses both qualitative and quantitative data to identify intermediate outcomes and to assess impact against the Market System Change Framework. This approach was informed by network analysis to show the connections across different actors, how these connections changed before and after the partnership, and the overall catalytic impact of the partnership on Ethiopia’s poultry market system.

Qualitative data were collected through interviews with key informants and through focus group discussions with sales agents and farmers during field visits to the Ethiopian towns of Wolkite, Woliso, Burayu, Bishoftu, and Assela. Quantitative data on sales, revenue, and product flows were provided by EthioChicken and supplemented by a 2017 report by the Africa Enterprise Challenge Fund. All data were mapped against the Market System Change Framework to identify different pathways leading to change, and then validated with EthioChicken.

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Note: All data were mapped against the Market System Change Framework to identify different pathways leading to change, and then validated with EthioChicken.

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1. Africa Enterprise Challenge Fund (AECF), 2017 Verification Study for AECF Africa Agribusiness Window RI Project AgFlow Poultry
Our Findings: Changes in the Market System Structure

Figure 3 below provides a simplified market network analysis that compares the Ethiopian poultry market system at the start of the EthioChicken and Partnering for Innovation partnership (left column) with present conditions (right column). During the six years between these two periods, the country’s poultry market system has grown in both size and complexity, with the emergence of new actors and the strengthening of existing ones.

Figure 3. Network Changes to the Ethiopian Poultry Market (2014-2020)
Prior to collaborating with Partnering for Innovation, EthioChicken was already a key player in the nascent Ethiopian poultry market, with high scaling potential. The company had developed a successful model through the importation of chicken parent stock, vaccines, and equipment from companies abroad, and through the purchase of feed from local producers. The DOCs were sold and delivered directly to sales agents through company-hired local transportation service providers. The sales agents purchased feed locally and sold chickens to customers mainly through government extension agents. In addition, sales agents sold chickens to farmers and traders at markets or through brokers, and these farmers would either keep the chickens and eggs for their own consumption or sell them on the market.

However, the majority of the country remained underserved. Chicken breeding was historically dominated by government-owned poultry farms, and the distribution of DOCs to smallholder farmers was managed by district offices. In keeping with Ethiopia’s wider privatization trends, in recent years the number of commercial farms has grown, with some private sector actors taking over existing government farms or setting up new ones. Except for EthioChicken, which was based in Tigray, the majority of commercial poultry farms were located around the capital city of Addis Ababa, where demand is strongest. These farms primarily sold DOCs to commercial chicken growers rather than to smallholders, leaving the rest of the Ethiopian market without access to quality inputs.

Catalyzed by support from Partnering for Innovation, EthioChicken scaled its operations significantly over the past six years, creating growth at all stages of the value chain. The partnership has supported the establishment of seven new breeding farms and four new hatcheries, expanding production from the Northern Tigray region to SNNP, Amhara, and Oromia regions. This expansion resulted in an increase in the number of international suppliers, transport providers, sales agents, chicken brokers, and chicken farmers.

New actors have entered the market. EthioChicken built two feed mills to produce its own high-quality chicken feed, which has brought feed input producers (e.g. small-scale maize farmers), feed input aggregators who sell raw feed inputs (e.g. soy cake and maize) into the market. The company distributes the feed directly to agents and through a network of feed dealers, who are self-employed retailers that sell the improved feed to farmers.

Last-mile markets are better served. In addition to expanding its own distribution system, EthioChicken worked with the Ethiopian government to establish a new distribution channel, known as Village Poultry Development Associations (VPDAs). The VPDAs help raise awareness and connect sales agents to new customers in last-mile markets. This effort has enabled previously underserved rural chicken farmers to access higher quality poultry stock and feed.

These changes in the shape and functioning of the market are discussed in more detail in this case study, with a focus on each type of market systems impact.
Our Findings: Impact on Market Growth

In addition to its own substantial growth, EthioChicken has increased existing market actors’ access to products and services, helping them boost economic activity, raise revenue, and employ more resources. By supporting the business growth of these actors, EthioChicken has contributed to the overall growth of the market. The company has also encouraged the crowding-in of new market actors by increasing demand, profitability, and opportunities in related industries. Finally, EthioChicken has supported the strengthening of local economies by increasing incomes of value chain actors and thus bolstering demand for local goods and services.

Business Growth

EthioChicken has undergone rapid expansion, supported by Partnering for Innovation funding at a key point in the company’s growth trajectory. Funding from Partnering for Innovation enabled EthioChicken to invest in infrastructure, equipment, and staff, which has led to increased production and scaled operations. Between 2014 and 2019, EthioChicken’s revenue increased by a factor of 30.

Since the beginning of the partnership, EthioChicken has established new facilities and expanded the geographic scope of its operations. New breeding farms and hatcheries are more cost-effective and better adapted to Ethiopia’s high altitude regions, and include modern equipment such as incubators, which have reduced mortality of DOCs by 7 percent. As a result, EthioChicken’s production of DOCs grew from 1.1 million per year in 2014 to 21.6 million per year in 2019. By the end of the partnership, the company accounted for 51 percent of total poultry production in Ethiopia, and 90 percent of the country’s dual-use chicken (i.e. suitable for both egg and meat production). The company has also established two feed mills to produce high-quality chicken feed, and invested in equipment to conduct feed testing to ensure product quality and reliability.

Percentage increase in EthioChicken revenue by a factor of 30. Estimated average revenue per sales agent: 75%. Estimated average revenue of feed dealers: $1,125.

EthioChicken’s growth catalyzed other market actors.

EthioChicken’s own growth increased market demand in both upstream and downstream sectors within the poultry value chain. The increase in purchases of raw feed material (approximately USD 8 million in 2019/20) contributed to the growth of producers of feed inputs (often smallholder farmers growing maize or soy) and aggregators of feed inputs (oil mills). One aggregator, Kunifira Agroprocessing, reported doubling its production capacity from one to two tons to meet this increased demand. Feed dealers have also benet from this new business opportunity, with average revenues of USD 1,125. Transport providers have benefitted through an increase in employment opportunities as EthioChicken increased the frequency of its delivery trips.

Improved value chain efficiency of the EthioChicken model directly contributed to business growth among sales agents and feed dealers.

Increased quality and greater availability of inputs have allowed sales agents to rapidly expand operations and reinvest revenue in acquiring more chickens. One farmer interviewed in Oromia doubled his production in a year, while another farmer expanded from managing 500 DOCs to more than 14,000 DOCs in only three years. The increase in the volume of chicks sold by sales agents suggests that, on average, their revenue increased by 75 percent, or USD 3,427, between 2014 and 2019.2

Feed dealers experienced similar strong growth. Between 2017 and 2019, the amount of feed they sold increased by 340 percent, from 5,130 tons to 22,164 tons, respectively. This growth was also boosted by a strong demonstration effect, which led to further increases in demand for EthioChicken’s DOCs and feed. Feed dealers initially struggled to convince farmers of the benefit of using the improved feed, which is 5 percent more expensive than regular feed. However, feed dealers interviewed for this case study reported “explosions in demand” once the positive impact on production was observed.

Chicken farmers have increased their profits.

Compared to regular chicken feed, farmers using EthioChicken’s improved feed are able to increase egg production per head by 16 percent. The higher efficiency of EthioChicken’s DOC breeds has also allowed chicken farmers to increase profits and invest in more chickens, with anecdotal evidence suggesting that many of these farmers increased the average number of chickens they keep.

2 Estimation based on a price per pullet of Ethiopian birr (ETB) ETB 100 and assumes a mortality rate of 3%.
Crowding-in

EthioChicken’s growth and expansion contributed to the crowding-in of new market actors. Between 2014 and 2019, the number of sales agents in the EthioChicken supply chain increased dramatically from 556 to 6,692, of which 5,086 are individual agents and 1,606 are agents with small- and mid-sized enterprises (SMEs). This growth has been sustained after the conclusion of the Partnering for Innovation partnership: in 2020, the total number of sales agents grew by a further 150 percent year-on-year. Many of these agents are new to the sector; with data from 2017 suggesting that only about one in 10 worked in the poultry industry before working with EthioChicken. Smallholder farmers have also crowded into the sector; with an estimated one in five EthioChicken chicken farmers having reared indigenous chicken only in the past. The launch of feed production by the company has also created new business opportunities for 571 individuals who now work as feed dealers.

Crowding-in is driven by the demonstration effect, as sales agents and farmers are attracted to the sector after observing benefits accrued by others.

While the Ethiopian government has played an important role in promoting chicken-rearing as a productive activity in general, interviews with sales agents reveal that many of them decided to start raising DOCs after observing the success of others in their communities. For example, one sales agent from Gurage estimated that at least 20 people decided to work with EthioChicken after seeing the income he generated in his business. Other agents indicated their willingness to share their positive experiences and encourage community members to become involved in the poultry sector given the high demand for chicken and low concern about competition.

Strengthened local economies

As the incomes of sales agents and chicken farmers increased, EthioChicken indirectly contributed to boosting local businesses outside the poultry value chain. By creating job opportunities, the company has directly created income for its employees, which has resulted in the injection of more than USD 150,000 into the local economies of Mekelle, Gubre, and Cheha. This is five times more than the amount spent by EthioChicken on salaries in 2014. EthioChicken has also indirectly raised the incomes of sales agents, chicken farmers, feed dealers, and others in the poultry value chain. A survey conducted by Triple Line in 2017 found that 80 percent of sales agents and 70 percent of chicken farmers increased their incomes as a result of purchasing EthioChicken’s products.

EthioChicken stimulated market demand, further strengthening local economies.

Focus group discussions with EthioChicken employees as well as interviews with sales agents indicated that, by improving incomes, the company had increased demand for products such as food, fabrics, household items, and construction materials. Most of the spillover impact on the local economy is likely to occur near EthioChicken’s facilities, and could theoretically result in higher profits and new market entrants, such as the establishment of new convenience shops near the hatcheries to service employees. However, focus group discussions also suggested that the impact on the local economy is somewhat limited in the short-term as the largest portion of the uplift in income is directed towards education or reinvestment in the chicken business.

Our Findings: Impact on Market Inclusiveness

EthioChicken has increased market inclusiveness in two key ways. First, the company increased access to markets for its sales agents, enabling better distribution. Second, these more inclusive channels reached last-mile markets across Ethiopia, resulting in an increased use of products and services, including higher quality products that had previously not been available to smallholder farmers.

Increased use of products and services

A key market impact of EthioChicken’s success is the significant increase in access to and use of high-quality poultry and feed. Between 2014 and 2019, the number of DOCs supplied to sales agents increased by a factor of 20, from 1 million to just over 20 million. As a result, an estimated 2.5 million farmers benefited from improved broilers and layers by earning higher incomes. EthioChicken’s inclusive marketing and distribution model, along with a more efficient value chain, has enabled a greater number of customers to access higher quality products and services.

EthioChicken’s model makes a deliberate effort to target hard-to-reach customers in rural areas. Sales agents travel throughout the country to take orders for chicks and bundled products, which are then delivered directly to customers’ doors by company-hired transport providers. Employees of EthioChicken also provide sales agents with technical advice to assist them in establishing successful operations. This distribution model has allowed EthioChicken to reach last-mile markets and connect products to customers who would otherwise not be able to access them due to long distances and high transportation costs. This approach has led to a significant increase in the number of DOCs sold to sales agents, particularly in Oromia, which saw an increase from 103,000 in 2014 to 7.7 million in 2019.

EthioChicken has also established a new distribution channel to expand reach in last-mile markets. In collaboration with the local government, EthioChicken established self-employed VPDAs, which are responsible for raising awareness about chicken-rearing and egg production in underserved communities. These agents collect orders, buy chickens from EthioChicken sales agents, and sell them to clients in their community. To date, 7,011 VPDAs have been established. Not only do VPDAs support the Ethiopian extension system, but they also reduce travel expenses for sales agents and increase value chain efficiency. While sales agents used to completely depend on extension workers to reach customers, more than half of all chickens are now sold through VPDAs and other direct marketing channels. In 2017, a study found that sales agents who sold through these channels tended to achieve higher revenues than those who relied exclusively on the broker and extension channels.

Product Usage Varies by Gender

Sales agents tended to be young men below the age of 35 and only 19 percent of agents were female. This is likely linked to the fact that women are often not in charge of making investment-related decisions, such as starting a DOC business. Close to two-thirds of sales agents reported that the male heads of households made the decisions regarding how to use their households’ main source of income. This could also be due to reporting bias, where men are more likely to report being the ‘owner’ of the business even if women are in reality performing the majority of the work. However, when it comes to chicken farmers, female participation rates are much higher as chicken-rearing is culturally accepted in the country as a ‘women’s activity’ and is compatible with childcare responsibilities, which women are also expected to perform. EthioChicken estimates that 80 percent of its sales agents’ end-customers are female.

4 This estimate is based on the total DOCs sold by agents, divided by the average number of DOCs purchased by farmers (8).


5 Ibid.
EthioChicken’s improved product quality and farmer-level support has resulted in improved value chain efficiency.

Access to better quality products by underserved farmers is a form of market inclusiveness. For example, 44,000 tons of high-quality feed have been sold to sales agents and to rural chicken farmers through feed dealers as a result of EthioChicken’s distribution network. The company also made efforts to promote good agricultural practices by training agents to work in collaboration with government extension agents. In fact, EthioChicken’s success has encouraged the Ethiopian government to increasingly include chicken-rearing technical assistance as part of its services. In turn, sales agents often share newly acquired knowledge with customers and others community members. This combination of higher quality inputs and better knowledge has made chicken-rearing more profitable for farmers. Interviews with EthioChicken farmer customers showed that they believe the company’s chickens are more resistant to disease, grow faster, and produce more meat and eggs than available alternatives. As a result, farmers are more willing to invest and grow their chicken business.

Job Creation: An Unexpected Market Contribution of EthioChicken’s Growth

Since 2014, EthioChicken has created more than 820 jobs, including close to 100 positions linked to its feed business that are comprised mainly of young, unemployed university graduates in the animal sciences. EthioChicken also provides employment opportunities for less-skilled workers, including many women, to care for chickens at their facilities. This not only helps integrate women into the formal job market, but also provides them with higher salaries than alternative employment opportunities. EthioChicken employees also acquire specialized skills, which has resulted in some employees leaving to start their own poultry business.

In addition to this direct, formal employment, EthioChicken contributes indirectly to creating or improving job opportunities. For instance, the company provides a more consistent and hassle-free source of income for transport providers, many of whom have previously worked in public transportation (a sector that requires significant effort and often involves disputes with traffic police). Chicken-rearing has also enabled people to become self-employed – as their business grows, so too does the potential for them to hire additional workers and further integrate more people into the job market.
Our Findings: Impact of Market Resilience

The Ethiopian poultry market often faces shocks, ranging from economic and climate-related to epidemics and social/political instability. These incidences can adversely affect production and the ability to access adequate inputs or customers - all of which can severely impact profitability. Since the start of the partnership, EthioChicken has proven resilient to crises, which has positively impacted wider market resilience up and down the supply chain. As the country’s main supplier of DOCs, EthioChicken’s ability to absorb shocks directly impacted the Ethiopian poultry market.

Increased cooperation

Increased market resilience has resulted mainly through increased cooperation and a collaborative approach between market actors. EthioChicken has built strong relationships with its suppliers and worked with the government to actively support the poultry sector; a result of increased value chain coordination.

Collaboration with Partnering for Innovation catalyzed EthioChicken’s growth, providing the company with more resources to invest in strengthening its relationships with suppliers.

Many of these suppliers were international firms and EthioChicken assisted them with registering in the country. These strong relationships helped EthioChicken, and the poultry market more broadly, prepare for and respond to shocks and stressors. For example, when avian influenza affected breeding stock supplies traditionally imported from Europe, the company worked with suppliers to obtain stock from Brazil instead. Since the beginning of its partnership with Partnering for Innovation, EthioChicken has more than doubled the number of its suppliers of parent stock, vaccines and medicine, poultry and laboratory equipment, and feed inputs to create a broad range of suppliers and reduce the risk of disruption.

Relationships with government actors are also important. EthioChicken’s success and cooperative approach have encouraged the Ethiopian government to take concrete action to reduce disruptions to the poultry market. For example, EthioChicken has worked with the government to facilitate the flow of inputs, even in times of crisis and travel restrictions, in order to avoid disrupting the value chain and to build a more resilient poultry sector in the country.

Market Resilience in the Face of COVID-19

The COVID-19 crisis caused severe disruption to the poultry value chain in Ethiopia, including a dramatic drop in market demand for chicken meat and eggs in the weeks following the first reported cases in-country. Market closures, fear of contamination by traders, and a misconception that chicken could carry the virus all contributed to depressed demand for EthioChicken’s products. In the first five weeks of the pandemic, EthioChicken was forced to cull nearly 650,000 chicks and to pull eggs from its hatcheries. Sales agents struggled to sell their chicks, resulting in keeping them longer and spending more on feed, medication, and transport. These factors contributed to a revenue loss of approximately USD 1.50 per chicken.

As a robust and growing business, EthioChicken was in a position to sustain this initial shock and took steps to ensure that it could continue to supply the market as demand recovered. The company’s last-mile distribution model was critical to this recovery. Customers could buy EthioChicken products directly from sales agents or VPDA rather than traveling to large towns, which was often impossible due to government-mandated travel restrictions. With additional support from Partnering for Innovation, EthioChicken sales agents were provided with training and protective equipment to ensure they could continue serving customers safely. Agents were also provided with private transportation when public transportation was not operating due to pandemic-related restrictions. The company proactively increased its feed stocks to avoid disruptions caused by travel and transport restrictions between regions. Taken together, these actions ensured that, even at the height of the crisis, EthioChicken’s supply chains continued operating and farmers were able to purchase DOCs and needed inputs. As a result, Ethiopia’s poultry market has been able to respond and adapt to the pandemic.
Conclusions and Emerging Lessons

At the outset of EthioChicken’s collaboration with Partnering for Innovation, the company was already a key player in the nascent Ethiopian poultry market and held high scaling potential. Through the partnership, EthioChicken expanded operations and catalyzed growth at all stages of the value chain. By generating efficiency gains, demonstrating profitability, and boosting demand, the company increased economic opportunities for existing actors and crowded-in new ones.

EthioChicken’s growth has also led to improvements in market inclusiveness. By targeting last-mile markets and using inclusive channels, sales agents and smallholder farmers now have greater access to improved poultry breeds and inputs. New distribution channels created by the company have also facilitated sales agents’ access to markets.

Importantly, EthioChicken increased the resilience of the Ethiopian poultry market by diversifying and strengthening relationships with suppliers, and by working with the government to actively support the country’s poultry sector.

The experience of EthioChicken provides emerging lessons critical for understanding the role of private sector engagement in achieving development objectives and supporting market systems development:

• **Size matters:** Large market players are able to operate at a scale that enables them to efficiently implement new distribution models and to increase value chain efficiency in a way that would be difficult for multiple smaller players. In addition to expanding the overall size of the market, large market players can reach more customers and serve as powerful drivers of inclusivity as more customers gain access to improved products and services, and with them, raise their incomes.

• **Market intermediaries generate economic opportunities:** Strong demand and rapid market growth can be associated with an increased need for services to connect buyers and sellers, as in the case with EthioChicken’s sales agents. This can generate new economic opportunities for intermediaries, such as VPDAs, that are able to improve market connectivity and generate income from these activities.

• **Coordination with the government pays dividends:** Governments can support inclusive market systems change through policies, regulations, and public service provision. Companies can benefit from close coordination to leverage existing government extension workers as well as to create new distribution channels and streamline supply chains.
### Appendix I: Market System Change Framework, Detailed

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<th>PARTNERSHIP CHARACTERISTICS</th>
<th>MECHANISMS</th>
<th>IMPACT</th>
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<tr>
<td><strong>SCALING POTENTIAL</strong></td>
<td>Observation of different techniques and business models by market actors that generate behavior change and greater commercial interest.</td>
<td>Existing market actors increasing their economic activities and revenues, and employing more resources.</td>
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<tr>
<td><strong>PROVISION OF INFRASTRUCTURE OR SERVICES</strong></td>
<td>Efficiency gains by reducing the costs and level of effort required, improving coordination and information-sharing between market actors.</td>
<td>New market actors entering the market, attracted by higher profits, greater proven demand, and new opportunities in the value chain and related industries.</td>
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<tr>
<td><strong>BUNDLED SERVICES</strong></td>
<td>Increased incomes for business owners, employees and smallholder farmers, which can raise purchasing power and demand for goods and services.</td>
<td>New opportunities for local businesses to serve or supply companies, their workforce, and farmers whose incomes are boosted by the partnership.</td>
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<tr>
<td><strong>INCLUSIVE CHANNELS</strong></td>
<td>More efficient operations, refined business models, and a better understanding of consumer needs, which help agricultural businesses reach customers in traditionally underserved, low-income segments.</td>
<td>Expanded access to products and services to previously underserved segments, enabling them to demand these products and services by boosting their incomes.</td>
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<tr>
<td><strong>POTENTIAL FOR PROFIT INCREASE</strong></td>
<td>A greater diversity of market actors, as new players enter the market and extend to new territories and customer segments, which boosts buying and selling opportunities and reduces vulnerability in case of shocks.</td>
<td>Improved access to markets, which helps more producers benefit from more earning opportunities.</td>
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<tr>
<td><strong>EASE OF DOING BUSINESS</strong></td>
<td>Increased connectivity and coordination along the value chain, which allows for the transfer of information, best practices, and coping strategies.</td>
<td>Market actors able to find alternative suppliers and buyers in case of a shock.</td>
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<tr>
<td><strong>COLLABORATIVE APPROACH</strong></td>
<td>Foster cooperation between multiple market actors to find effective ways to deliver products and services and to generate incomes.</td>
<td>Market actors able to adapt and absorb shocks by relying on trusted partnerships to collaboratively identify alternative ways to operate.</td>
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<td></td>
<td>Market actors better able to adapt, absorb, and anticipate shocks due to improved access to market system information and knowledge.</td>
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