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As KFC Goes to Africa it Lacks Only One Thing: Chickens

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By DREW HINSHAW

ACCRA, Ghana—To make American fried chicken daily fare in Africa, Ashok Mohinani wants to bring this West African country nearly two dozen KFCs over the next couple of years. First, he needs a chicken farm.



Children enjoy lunch at a KFC restaurant in Nairobi, Kenya in 2011—the first to open in the country. Associated Press

The plastics-mogul-turned-restaurateur opened four KFCs last year, two short of what he planned when he opened his first franchise in 2011. The problem: Ghana's chicken farmers aren't professional enough to satisfy the chain's requirements so Mr. Mohinani has been forced to import chicken. And Ghana's currency, the cedi, has been falling. That has increased import costs, driving menu prices higher—and customers away.

"With fast food, you can't keep raising prices," he said. "It's chicken."

Mr. Mohinani is confronting a dilemma faced by colleagues across the continent. In 2010 KFC owner Yum Brands Inc. said it planned to open 1,200 KFCs in Africa by 2014.

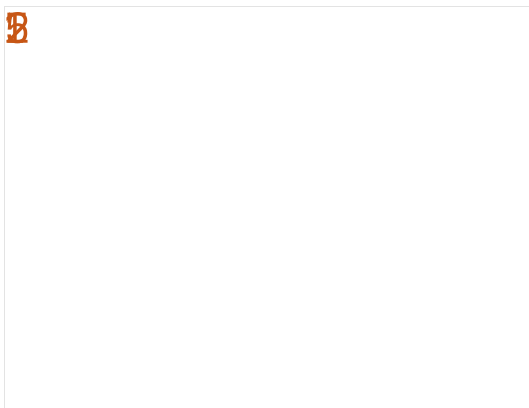
In Ghana, Mr. Mohinani ships in all his chicken. But in Nigeria, it is illegal to import chicken, so KFCs in that country recently added fish to the menu. Poultry imports are barred in Kenya, too. And because only one supplier, a British-Kenyan monopoly, is professional enough to meet Yum's requirements—such as keeping detailed records, laying rodent traps and refrigerating meat—the chain purchases chicken about \$3 above market rates.

Yum didn't return requests for comment.

KFC's chicken hunt sounds a cautionary note to Western fast-food rivals seeking to expand in Africa.

The Subway sandwich chain, which is owned by Doctor's Associates Inc., has almost 30 restaurants on the continent and plans to open 20 in Kenya over the six next years, plus others in Tanzania, Zambia and South Africa. "The business environment in Africa for us has been relatively sluggish until recently," says Don Fertman, Subway's chief development officer. He says the company expects to see additional progress this year.

Domino's Pizza Inc. opened two restaurants in Nigeria last August, adding to its more than two dozen outlets in Egypt and Morocco, and says it is exploring opportunities to expand into Kenya and South Africa.



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The reasons for expansion are clear: an emerging middle class on a continent where the total economy is set to grow at least 5% a year through 2017, according to the International Monetary Fund. The World Bank has estimated that food demand across Africa would double between 2012 and 2020.

But the continent's often small, bucket-irrigated farms will be hard pressed to feed its hungry consumers. "Growing demand for food in Africa is increasingly being met by imports," World Bank lead economist Paul Brenton wrote in a Jan. 8 report. "Clearly something has to change."

Mr. Mohinani sees Ghana as well-suited for KFC. A stable democracy has attracted foreign investment and enlivened the restaurant sector.

As wages rise, dining at restaurants is among the first luxuries for upwardly mobile consumers. Ghana consumes five times the chicken it did a decade ago, the Agricultural Ministry says.

Chicken farms remain small, however. That's a legacy of Operation Feed Yourself in the 1970s, when soldiers under the dictatorship of I.K. Acheampong forced civil servants to build backyard coops.

In the 1990s Ghana moved away from socialist dictatorship. Its government scrapped embargoes on poultry imports, making meat affordable but undermining domestic production. "That was the end of my broiler business," says chicken farmer Magdalen Khoury.

Ms. Khoury, the owner of Agdalen Farms Ghana Ltd., had tried to supply one of the handful of local fast-food rotisserie that sprung up as cheap foreign chicken poured in to the country. But since she couldn't deliver birds at a consistent weight, cost and quantity, she shifted her focus to eggs.

Kofi Appenteng wants to change all this. He is the financial adviser for Ghana's West Coast Foods Ltd., which is building a \$25 million processing plant to meet pent-up demand for chicken.

It won't be easy. For starters, chicken feed also is imported, raising costs, because Ghana's cornfields have suffered from foreign competition. Chicks are flown in to the country, many hatched in cargo holds.

Also, West Africans favor tough, bony cuts that farmers abroad are happy to unload here a loss. "We prefer the dark meat, the gizzard. People eat the neck," Mr. Appenteng says. He plans to sell gizzards locally and ship unwanted boneless breasts abroad.

Eventually, he hopes, a farmer will amass the credit, know-how and clientele to build a farm high-tech enough to supply his plant—and from there, KFC.

Mr. Mohinani isn't optimistic that Ghana's farmers can get their henhouses in order.

Meanwhile, he is offsetting his high chicken costs by having his restaurants push shito, a local pepper-and-tomato hot sauce, instead of ketchup, which is imported.

That move hasn't been trouble-free, either. Shito is brewed in a nearby factory, where KFC had to install a metal detector "so that bits of metal don't fall into the food," Mr. Mohinani recalls. "It's going to be a long story."

—Julie Jargon in Chicago contributed to this article.

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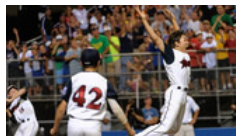
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