

Arroz Vitaminado: Producing Nutritious Rice through Shared Value Partnership

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COMPANY DESCRIPTION

To help address micronutrient deficiencies in Brazil, PATH and Urbano partnered to make rice fortified with vitamins and minerals widely accessible and affordable in the country.

- PATH is an international nonprofit organization dedicated to saving lives and improving health, especially among women and children. By mobilizing partners around the world, PATH takes innovation to scale, working alongside countries primarily in Africa and Asia to tackle their greatest health needs.
- Urbano Agroindustrial is one of Brazil's top three rice millers, with annual production of 480,000 metric tons of rice, beans, and rice pasta food products and revenues of US\$300M in 2014. Founded in 1960, Urbano has a history of innovation in the Brazilian staple food sector and 14 operation sites that cover the whole country, offering healthy and tasty foods to its consumers.



Mauricio de Sousa, Brazil's most celebrated comic book artist, and his daughter Monica, the inspiration for his main character, show their support for Arroz Vitaminado

THE OPPORTUNITY

Micronutrient deficiencies—also known as the “hidden hunger”—are the most widespread global undernutrition challenge, affecting two billion people of all social strata in developing and developed countries. Micronutrient deficiencies disproportionately burden women and children and have a major detrimental impact on physical growth, cognitive development, immune and reproductive functions, overall health, and productivity. Despite Brazil's upward economic trajectory and declining poverty rates, micronutrient deficiencies remain a serious problem, especially among women and children. About 40% of children under five suffer from anemia, and close to 20% have vitamin A deficiency.

Rice fortification is a simple, cost-effective approach to address micronutrient deficiencies in countries with high per capita rice consumption and a relatively concentrated rice industry. Fortified rice has the same aroma, taste, and texture of unfortified rice and can be matched to local consumer preferences and dietary needs to add multiple micronutrients to people's daily diets.

To introduce affordable fortified rice in the Brazilian market, PATH approached Urbano about collaborating towards that goal. As one of the leading rice millers in a country with a fast-growing

population, strong economy, and the world's 10th-highest per capita rice consumption, Urbano could identify the following compelling business opportunities in developing a fortified product:

- Competitive differentiation in a commodity and flat growth market
- Brand-building as an innovative and socially conscious company
- Expansion of the product line into export markets (e.g., Costa Rica and Peru)
- Product development appealing to people with celiac disease and consumers eager to avoid gluten products, an attractive market segment
- Positioning as the key supplier in a market poised to grow



Urbano could also leverage its existing corporate assets, including its capital equipment (hot extruder), easy and low-cost access to raw materials (rice flour), retail and distributor relationships and channels, and brand recognition, to launch this targeted product line.

Urbano developed a highly strategic partnership with PATH, a global health innovator keen on addressing micronutrient deficiencies and actively seeking partnership to widen availability of fortified products to communities in need. PATH helped Urbano develop its own branded product with PATH's patented rice fortification technology (Ultra Rice®). This collaboration made the business case even more attractive to Urbano, saving vast resources that would otherwise have to be invested in research and development, trials, and other product development activities.

A high school student consuming fortified rice in a school meal in Vespasiano, Brazil

THE STRATEGY

In 2011, Urbano and PATH established a partnership to launch a new line of micronutrient-fortified rice products in the Brazilian market. PATH transferred rice fortification technology to Urbano free of charge in exchange for Urbano's commitment to launch at least one affordable, general market fortified brand and make fortified grains available to other rice millers.

PATH, in collaboration with the Global Alliance for Improved Nutrition (GAIN), partnered with Abiarroz, the Brazilian rice miller association, and the Federal University of Viçosa (UFV), the most respected agribusiness university in the country, to establish a quality verification process that would be marked with a seal. PATH and GAIN also launched an innovative social marketing campaign anchored by endorsements from high-profile national figures. In addition, nutrition scientists from Abbott, a major global healthcare company, have collaborated with PATH to improve Ultra Rice technology through an expanded micronutrient formulation, enhanced iron delivery, improved sensory properties, and cost reduction.

Reconceiving Products and Markets

PATH and Urbano looked at the market with a different perspective – as a population that could be made healthier through their daily consumption of a favorite staple without changing preparation or consumption practices. By developing a product tailored to the local context, the company could address the social issue of micronutrient deficiencies while meeting customer needs and expanding a new, innovative product line.

Urbano leveraged sophisticated, hot-extrusion equipment it had originally acquired to produce rice-based pasta to produce the fortified kernels that are blended in small proportions with unfortified

rice grains to produce fortified rice that is virtually identical to traditional rice in color, texture, and aroma. Trials of the fortified product ran for one year prior to going to market.

Urbano launched its first fortified rice product in February 2013; currently both white and parboiled fortified offerings are being commercialized. PATH and Urbano deployed promoters in dozens of hypermarkets and supermarkets in São Paulo and Rio de Janeiro, many of them with branded tasting booths where they would prepare and serve fortified-rice samples to consumers next to the rice shelves. The strength of the Urbano brand has been instrumental in building consumer trust in a traditional and competitive product category.

RESULTS – VALUE FOR BUSINESS AND SOCIETY

As of April 2015, estimates indicate that the product has reached over 2.5 million consumers, an estimated half a million of which are regular buyers (Figure 1).

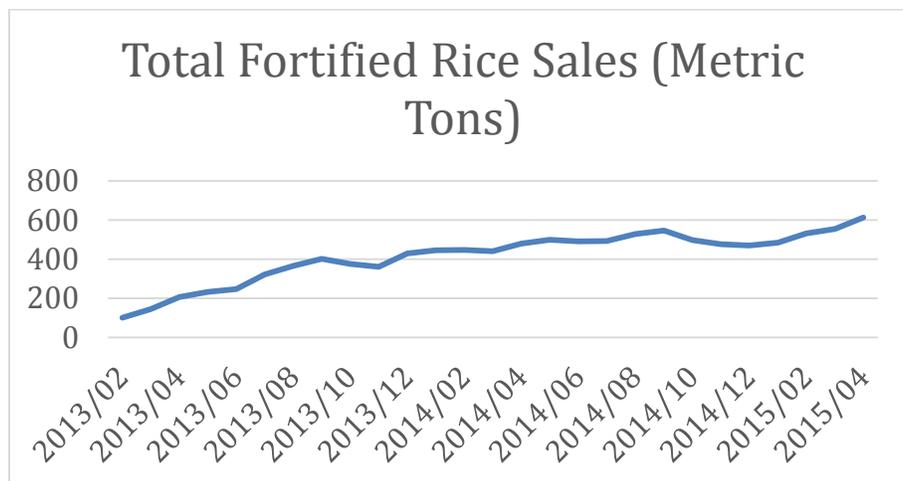


Figure 1. Steady increase in fortified-rice sales since introduction in February 2013.
*Data is smoothed using a 3-month moving average window. Data provided by Urbano.

In the span of 12 months, awareness of fortified rice went from a very low level to almost one-third of the exposed market. Among current fortified-rice purchasers, 89% indicate they intend to sustain or increase their consumption of the product, and 48% have recommended it to others. In terms of sales, fortified rice has shown consistent growth since its introduction and faster consumer uptake than comparable new rice subcategories introduced by Urbano (Figure 2).

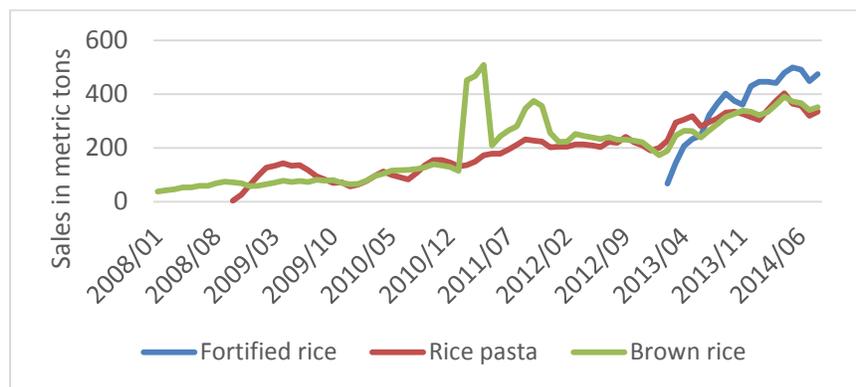


Figure 2. Sales of fortified rice compared to other new rice-based products launched by Urbano, 2008–2014.

LESSONS LEARNED, CHALLENGES AND OUTLOOK

Despite the successful project launch and the continuous uptick in sales, growth has been slower than anticipated. This is mostly attributable to the weak association Brazilian consumers make between rice and health, combined with their strong attachment to the category and perceived risk of compromising sensory attributes with a product that is new and not well-understood by many consumers. Key lessons include:

- **Pricing is not a major barrier to commercializing fortified rice.** Fortified rice was successfully positioned and priced as aspirational yet affordable – within that band where consumers would recognize fortification as an added value but still be able to buy it
- **Cross-sector collaboration, and public sector engagement in particular, are very important to accelerate scale and sustainability.** PATH and Urbano were each able to leverage the other organization's core competencies and expertise to achieve both social outcomes and business results. In addition, the collaboration of other private sector companies like Abbott, along with government, university, and NGO partners, has accelerated product development and accessibility of fortified products not just in Brazil, but in other markets where the need is great. The public sector can play an even bigger role in disseminating knowledge of fortified products to encourage broader awareness and adoption. There are many shared value opportunities involving public-private partnerships in developing countries and less sophisticated sectors.



Lucas Moura, one of Brazil's top soccer players, announced his endorsement of Arroz Vitaminado in an event held May 2014 in São Paulo