



TERMS OF REFERENCE (TOR)

EOI/7914/2021: EXPRESSION OF REFERENCE FOR CONSULTANCY SERVICES

TO CONDUCT A BI-ANNUAL SURVEY ON THE COST AND PROFITABILITY OF MILK PRODUCTION IN KENYA OVER A TWO-YEAR PERIOD

1. Background

The Dairy industry in Kenya is a key socio-economic activity that contributes to food security and nutrition, poverty alleviation, industrialization, and employment among others. The industry supports a range of actors, including farmers, milk traders, processors, consumers and several service providers. Given its importance, the dairy value chain is among those prioritized for investment in the Agricultural Sector Transformation and Growth Strategy (ASTGS) (2019-2029), the Presidential Big Four Agenda, and in the County Integrated Development Plans for two-thirds of the country's 47 counties.

The annual milk production is estimated 5.5 billion litres from cattle, camels, goats and sheep. Cow milk is the major commodity, with an annual production of 3.9 billion litres (75% of production). This is primarily produced by an estimated 1.8 million smallholder dairy farmers, under zero grazing, semi-zero grazing and open grazing systems.

The profitability of dairy farming in Kenya is affected by the high cost of milk production and frequent fluctuations in producer prices of raw milk. The recent study (2020) conducted by Tegemeo on cost of milk production revealed that dairy farmers incurred high expenditures in dairy cattle feeding, hired labour, breeding and health thus affecting the cost and profitability of milk production. While reducing the cost of feeds, labour, breeding and health may increase the profitability of dairy farmers, the study revealed that an increase in raw milk prices would result to increased gross margin for dairy farmers in all the three production systems (zero grazing, semi zero grazing and open grazing). This seemed to agree with the farmers concerns that the prices they receive from buyers of milk including milk processors were too low to cover the production costs.

In order to address the concerns by dairy farmers on the low milk producer prices, the Government developed and gazetted the Dairy Industry (Pricing of dairy produce) regulations 2021, which aim at ensuring primary producers receive guaranteed minimum producer prices for milk. This will protect the interests of primary producers of milk by ensuring they are paid competitively, and that deductions by aggregators of milk such as dairy cooperatives are controlled to maximize the earning of farmers from sale of milk. The minimum payout and producer prices will be reviewed regularly and gazetted for implementation.

To operationalize the above regulations, the Kenya Dairy Board will require detailed, accurate, timely and reliable data on the cost and profitability of producing milk across counties, seasons, production systems, production

scales, commercialization levels, and rural and peri urban set ups. This tender document therefore seeks to engage a consultant to collect and report on this data bi-annually for a period of two years to facilitate decision making by Government on minimum producer and payout prices for raw milk.

1.1. General objective.

To develop a framework and undertake bi-annual collection, analysis, and reporting on cost of milk production and profitability in Kenya over a two-year period.

1.2. Specific objectives.

- (a) Develop and operationalize an efficient, reliable, representative and cost-effective framework/methodology for bi-annual collection of data on milk production trends, and cost of milk production and profitability in Kenya.
- (b) Bi-annually collect, analyze, validate, and report to Kenya Dairy Board on milk production trends, and cost of milk production and profitability in Kenya by county, and scales and systems of milk production, among others.
- (c) Identify and establish in details the key variables that contribute to the cost of milk production and their relative importance across counties, and milk production systems and scales, among other variables.
- (d) Based on the findings of the study, propose to Kenya Dairy on a bi-annual basis the minimum producer prices that should be gazetted to ensure profitability of farmers, while taking into account the efficiency of other dairy business operators and access of milk by consumers.
- (e) Clearly identify the major challenges impacting on efficiency of milk production and propose key interventions to manage the cost of producing milk, leading to improved efficiency of the production and market systems.
- (f) Identify and recommend opportunities for digitization of data collection and reporting relevant to this assignment.
- (g) Develop pricing model for raw milk based on the analyzed data.

2. Scope of services, tasks and expected deliverables.

2.1. Scope of services

The scope of the consultancy services will be to:

- (a) Develop a framework for collecting data on the cost and profitability of milk production in Kenya.
- (b) Using the framework to bi-annually collect, analyze, and report on the cost and profitability milk production in Kenya for a two-year period.
- (c) Bi-annually propose minimum payout and producer prices for milk based on the findings of (b) above.

The framework and data sampling should cover at least twenty-five counties. The selected should have a fair representation of the:

- i. Key milk sheds in Kenya
- ii. Different agro-ecological zones in the country
- iii. Milk production potential of different counties (high, medium and low)
- iv. Different systems of milk production in the country (zero-grazing, semi-zero grazing, and open grazing)
- v. Scales of milk production (small, medium and large)
- vi. Degree of commercialization of dairy farming (commercial, semi-commercial, and typical farms)
- vii. Peri-urban and rural production of milk
- viii. Extent of automation within the value chain and potential of digitization of dairy production and market systems for increased efficiency.

2.2. Key tasks

The key activities to be undertaken by the consultant include:

- (a) Designing an appropriate and effective framework for collection of data on milk production and profitability in Kenya
- (b) Bi-annually collecting data, analyzing, validating and reporting on milk production and profitability in Kenya.
- (c) Developing a price model for use in determining the pricing structure for raw milk in the industry.
- (d) Exploring ways of digitizing collection and reporting of data on milk production and profitability in Kenya.

2.3. Deliverables

The deliverables for the assignment will be as follows

- (a) Inception report for the assignment
- (b) Report of proposed framework to collect data on milk production and profitability in Kenya.
- (c) Bi-annual reports on cost and profitability of milk production in Kenya and proposed minimum payout and producer pricing of milk
- (d) Final report on cost of milk production and profitability in Kenya and proposed pricing model for dairy produce
- (e) Proposal on digitization of data collection and reporting on cost of milk production and profitability in Kenya

2.4 Eligibility criteria

Interested firms must provide information demonstrating that they have the required qualifications and relevant experience to perform the services. The shortlisting criteria on required qualifications and experience of the firm are:

Experience in the assignment including technical and managerial capability of the firm.

Number of years in business working on the area of assignment.

Reference to at least three assignments of similar nature and size carried out in the last five (5) years. Include persons and institutions and contact addresses who can be contacted on the same.

2.5 Mandatory requirements

- i. Submit a copy of certificate of incorporation/business registration.
- ii. Submit a valid tax compliance/exemption certificate from Kenya Revenue Authority.
- iii. Provide company profile of the firm indicating the contact details including physical address, telephone number, and email and contact person on behalf of the bidder.
- iv. Copy of CR12 for limited companies.
- v. Copy of certificate of registration with relevant regulatory bodies.
- vi. Self-declaration letter that the consultant that the person or tenderer will not engage in any corrupt or fraudulent practice.
- vii. Access to Government Procurement Opportunities (AGPO) certificate from National Treasury where applicable.

Downloaded Documents must be registered with the procurement office or via email **procurement@kdb.go.ke** for records or any further tender clarification and addenda.

Completed EOI proposal shall be submitted in a sealed envelope bearing the name and EOI number and addressed to:

**Managing director,
Kenya dairy board,
P.O BOX 30406-00100,
NAIROBI.**

Shall be deposited in the board's tender box on or before **1st December 2021 at 10.30am**

Expression of interest shall be opened immediately after closing time in the presence of bidders or representatives who choose to attend at **KDB Boardroom, NSSF Building, Block A Eastern Wing 11th Floor.**

MANAGING DIRECTOR