FEED THE FUTURE KENYA CROPS AND DAIRY MARKET SYSTEMS ACTIVITY

REQUEST FOR APPLICATIONS (RFA) FROM CONSULTING FIRMS AND INDIVIDUAL CONSULTANT(S) TO UNDERTAKE FEASIBILITY ASSESSMENT OF MAKUENI COOPERATIVE CREAMERIES (MCC) PROCESSING PLANT

RFA- KCDMS-FY21-001

Project: Kenya Crops and Dairy Market Systems (KCDMS)
Activity Name: Feasibility assessment of Makueni Cooperative Creameries (MCC) processing plant
Issuance date: 4 February 2021
Deadline for questions: 10 February 2021
Closing Date: 18 February 2021
Method of Submission: By email to procurement@kcdmsd.rti.org
Agreement Manager: Chief of Party
Type of Contract: Fixed Price Subaward
Location: Kenya
Value Chains: Dairy
Start date: Upon USAID approval
Duration: 30 days spread within 2 months

Appendixes to RFA:
1) Scope of Work
3) Supplier’s delivery of products, performance of services, or issuance of invoices in connection with this purchase order establishes Supplier’s agreement to the Terms. The Terms may only be modified in writing signed by both parties.

All bidders/sellers are responsible to carefully review each attachment and follow any instructions that may be relevant to this procurement.

1.0 About KCDMS

The USAID Feed the Future Kenya Crops and Dairy Market Systems (KCDMS) Activity is a five-year project implemented by RTI International. The Activity is working in 12 counties that include Homa Bay, Migori, Kisii, Kisumu, Siaya, Kakamega, Bungoma, Busia, Vihiga, Kitui, Makueni and Taita Taveta. KCDMS’s goal is to transform agricultural market systems to enable intensification and diversification into higher value commodities and non-farm activities. The Activity is doing this by facilitating improved productivity as well as the development of competitive, resilient and sustainable market systems in the dairy, feed/fodder, and horticulture value chains in partnership with private sector market actors, who include dairy and horticulture input suppliers, aggregators, processors, and exporters among others.
KCDMS through the Partnership Innovation fund supports dairy and horticulture enterprises to increase efficiency by facilitating development and integration of business models that have potential to transform supply chains. These interventions are anticipated to result in improved business operations and increased incomes for smallholder farmers supplying or procuring products from these enterprises.

2.0 Background on the Feasibility assessment of MCC processing plant

Kathonzweni Dairy Cooperative Society in Makueni County with the support of the USAID-funded Accelerated Value Chain Development (AVCD) Activity implemented by the International Livestock Research Institute (ILRI) recently invested in milk processing and packaging equipment with an aim to aggregate, process and market milk and related products. The processing plant, which is also supported by the County Government of Makueni, has been handed over to Makueni County Creameries (MCC), an apex body of all dairy cooperatives in the county, to aggregate, process, and market milk on behalf of the 18 affiliate cooperatives. Makueni County Creameries (MCC) seeks to unlock its potential in value addition and milk marketing to provide smallholder dairy farmers in the region with better farm gate prices, thereby increasing their incomes.

In order to position the dairy processor to effectively compete in the dairy industry, KCDMS seeks to engage a consulting firm or consultant(s) to undertake a feasibility study on the demand and supply of milk and milk products in the county and its environs on behalf of the County Government of Makueni.

3.0 Assignment's Objectives

The engaged consulting firm or individual consultant(s) shall conduct a supply chain analysis from the supply-end (farmer and cooperative level) to the market-end and assess the viability of the proposed value addition in relation to the processor's installed capacity. The objectives of the assignment include:

I. Establishing the supply and demand of milk and milk products in Makueni county and its environs.
II. Identifying supply and market constraints to the profitable operationalization of the Makueni Cooperative Creameries processing plant.
III. providing recommendations on a well-thought-out supply and market strategy that would transform the dairy processing plant into a successful entity that is capable of operating at acceptable levels of profitability, solvency, liquidity and cash flow.

4.0 General Requirements

The Buyer (RTI) intends to purchase the services identified in Appendix 1 based on the deliverables identified in it. The term of the Ordering Agreement shall be from Award Date to the Delivery date of the Offeror unless extended by mutual agreement of the parties. The Buyer intends to award to a single “approved” supplier based on conformance to the listed specifications, the ability to service this contract, and selling price. RTI reserves the right to award more than one bidder. If an Ordering Agreement is established as a result of this RFA, the bidder understands that quantities indicated in the specifications (Appendix A) are an estimate only and RTI does not guarantee the purchase quantity of any item listed.
KCDMS is soliciting fixed-price bids. Consulting firms and individual consultants should submit their bids and budgets for the services to be offered under the consultancy subaward with a maximum 30-days level of effort (LOE) spread within 2 months. The application should detail how the firm or consultant(s) will accomplish the assignment according to the SOW in Appendix 1.

5.0 Application Instructions (See additional details in the SOW herein attached)

All bidders should submit a proposal which contains offers for all items and options included in this RFA. All information presented in the Sellers quote/proposal will be considered during RTI’s evaluation. Failure to submit the information required in this RFA may result in bidder’s offer being deemed non-responsive. Bidders are responsible for submitting offers, and any modifications, revisions, or withdrawals, so as to reach RTI’s office designated in the RFA by the time and date specified in the RFA. Any offer, modification, revision, or withdrawal of an offer received at the RTI office designated in the RFA after the exact time specified for receipt of offers is “late” and may not be considered at the discretion of the RTI Procurement Officer.

Special Note: The bidder, by their response to this RFA and accompanying signatures, confirms that the terms and conditions associated with this RFA document have been agreed to and all of its attachments have been carefully read and understood and all related questions answered.

6.0 Questions regarding the RFA

All questions in regard to this RFA to be directed to Joseph Mutua through the email address jmutua@kcdmsd.rti.org, copying procurement@kcdmsd.rti.org

The cutoff date for questions is close of business on 10th February 2021

7.0 Evaluation and Award Process

The RTI Procurement Officer will award an agreement contract resulting from this solicitation to the responsible firm or consultant(s) (the bidder) whose offer conforms to the RFA and will be most advantageous to RTI, price, and other factors considered. The award will be made to the firm or consultant(s) representing the best value to the project and to RTI. RTI intends to evaluate offers and award an Agreement without discussions with Sellers. Therefore, the Seller’s initial offer should contain the Seller’s best terms from a price and technical standpoint. However, RTI reserves the right to conduct discussions if later determined by the RTI Procurement Officer to be necessary.

8.0 Duration of Assignment:

This activity is targeted to commence in March 2021 subject to approval by USAID. The anticipated Level of Effort is 30 days spread within 2 months.

9.0 Submission Guidelines
Interested firms and individual applicants should submit the required documentation electronically to procurement@kcdmsd.rti.org by close of business on 18 February 2021 with “RFA Feasibility Assessment of Makueni Cooperative Creameries (MCC) Processing Plant” in the subject line reference. The applications should be written in English and follow guidelines in this RFA and the following scope of work.

10.0 Validity of Offer

Issuance of this RFA does not constitute an award commitment on the part of KCDMS nor commit the project to pay for costs incurred in the preparation and submission of an application. Further, KCDMS reserves the right to reject any or all applications received. Similarly, an invitation for further negotiation or to submit a full application is not a commitment to fund that application. Your proposal shall be considered valid for 90 days after submission.

11.0 Anti-Kick Back Act of 1986

The Anti-Kickback Act of 1986 as referenced in FAR 52.203-7 is hereby incorporated into this Request for Proposal as a condition of acceptance. If you have reasonable grounds to believe that a violation, as described in Paragraph (b) of FAR 52.203-7 may have occurred, you should report this suspected violation to the RTI’s Ethics Hotline at 1 877-212-7220 or by sending an e-mail to ethics@rti.org. You may report a suspected violation anonymously.


RTI cannot use any equipment or services from specific companies, or their subsidiaries and affiliates, including Huawei Technologies Company, ZTE Corporation, Hytera Communications Corporation, Hangzhou Hikvision Digital Technology Company, and Dahua Technology Company (“Covered Technology”). In response to this request for proposal, please do not provide a quote which includes any Covered Technology. Any quote which includes Covered Technology will be deemed non-responsive. Additionally, if the United States Government is the source of funds for this RFA, the resulting Supplier shall not provide any equipment, system, or service that uses Covered Technology as a substantial or essential component.
APPENDIX 1: Scope of Work

**SCOPE OF WORK (SOW) FOR CONSULTING FIRM(S) AND INDIVIDUAL CONSULTANT(S) TO UNDERTAKE FEASIBILITY ASSESSMENT OF MAKUENI COOPERATIVE CREAMERIES (MCC) PROCESSING PLANT**

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<td></td>
<td>The Feed the Future Kenya Crops and Dairy Market Systems (KCDMS) Activity is a five-year project funded by USAID implemented by RTI International. The Activity is working in 12 counties that include <strong>Homa Bay, Migori, Kisii, Kisumu, Siaya, Kakamega, Bungoma, Busia, Vihiga, Kitui, Makueni, and Taita Taveta</strong>. KCDMS's goal is to transform agricultural market systems to enable intensification and diversification into higher-value commodities and non-farm activities. The Activity is doing this by facilitating improved productivity as well as the development of competitive, resilient and sustainable market systems in the dairy, feed/fodder, and horticulture value chains in partnership with private sector market actors, who include dairy and horticulture input suppliers, aggregators, processors, and exporters among others. KCDMS, through the Partnership Innovation Fund, supports dairy and horticulture enterprises to increase efficiency by facilitating the development and integration of business models that have the potential to transform supply chains. These interventions are anticipated to result in improved business operations and increased incomes for smallholder farmers supplying or procuring products from these enterprises.</td>
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b. **Problem statement**

Kathonzweni Dairy Cooperative Society in Makueni County with the support of the USAID-funded Accelerated Value Chain Development (AVCD) Activity implemented by the International Livestock Research Institute (ILRI) recently invested in milk processing and packaging equipment with an aim to aggregate, process and market milk and related products. The processing plant, which is also supported by the County Government of Makueni, has been handed over to Makueni County Creameries (MCC), an apex body of all dairy cooperatives in the county, to aggregate, process, and market milk on behalf of the 18 affiliate cooperatives. Makueni County Creameries seeks to unlock its potential in value addition and marketing of milk to provide smallholder dairy farmers in the region with better farm gate prices, thereby increasing their incomes.

In order to position the dairy processor to effectively compete in the dairy industry, KCDMS seeks to engage a consulting firm or consultant(s) to undertake a feasibility study on the demand and supply of milk and milk products in the county and its environs on behalf of the County Government of Makueni. The engaged consulting firm or individual consultant(s) shall conduct a supply chain analysis from the supply-end (farmer and cooperative level) to the market-end and assess the viability of the proposed value addition in relation to the processor’s installed capacity, MCC’s technical capabilities as well as the potential captive market size.

The results of the study are intended to guide the proposed operationalization of the dairy processor and provide recommendations on a well-thought-out supply and market strategy that would transform the dairy processing plant into a successful entity that is capable of operating at acceptable levels of profitability, solvency, liquidity and cash flow.

c. **Objectives of the assignment**

The primary objective of the feasibility assessment is to establish the supply and demand of milk and milk products in Makueni county and its environs and to develop recommendations for the profitable operationalization of the Makueni Cooperative Creameries processing plant.

d. **Deliverables for the assignment**

KCDMS intends to engage a consulting firm or consultant(s) to inform the commercial strategy for the dairy processor. The deliverables under this engagement will include but not be limited to the following:
## On supply side

1. Conducting due diligence and diagnostics of MCC’s affiliate cooperatives in regard to current milk volumes produced, annual average farm gate prices, existing markets and their pricing and distance from MCC processor and the cost of transport.

2. Confirm the number of farmers in the registers of the affiliate cooperatives segregated between active and non-active.

3. Assess the market price attractiveness of the current markets served by the affiliates and identify possible reasons that may influence their shift to supply their milk to the processing plant.

4. Determine affiliate cooperatives’ perception towards the processor and their willingness to sell milk to the MCC.

5. Conduct profit analysis on existing markets in comparison to selling to MCC and the opportunity cost of selling to MCC.

6. Identify the suppliers’ existing infrastructure and associated costs of transporting milk to the MCC facility.

7. Identify and document existing milk transport systems and measures put in place to ensure that milk is kept safe and unadulterated.

8. Design most ideal raw milk delivery route(s) and channel to the processing plant.

9. Map out the milk sourcing cost structure for MCC including all costs associated with sourcing and transporting milk from farms or affiliated cooperatives to the processing plant.

10. Provide recommendations on the most viable milk procurement models,

11. Find out the volume of milk that is sold to informal traders and the supply price.
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<th>At the processing plant</th>
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<td>i. Undertake infrastructure assessment and report on current status and additional equipment requirements prior to operationalization.</td>
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<td>ii. Establish the required capacities and capabilities required for the operationalization of the plant, including human resourcing, and their current status.</td>
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<td>iii. Detail out the estimated operating costs for the processing plant with assumptions clearly documented.</td>
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<td>iv. Undertake a breakeven analysis for the processing plant bearing in mind the milk sourcing cost structure.</td>
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<td>v. Benchmark MCC with successful dairy processing plants of equivalent capacity and provide recommendations for optimal operationalization.</td>
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<th>At Market end</th>
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<td>i. Undertake demand forecasting for each of the proposed MCC milk and milk products in terms of volume and value based on viable pricing based on prevailing market dynamics and with assumptions and potential risks clearly documented.</td>
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<td>ii. Conduct an analysis of the cost of delivering milk and milk products to identified potential markets vis à vis collection from the plant.</td>
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<td>iii. Assess potential retailers’ willingness to collect milk from the plant.</td>
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<td>iv. Advise on potential milk delivery systems and their viability.</td>
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<td>v. Map out demand for various competing dairy products and brands in MCC’s target market segment including preferred packaging sizes.</td>
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<td>vi. Identify the current market geographies and advise on potential new markets including Nairobi and neighboring counties.</td>
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<td>vii. Conduct consumer segmentation by income brackets on fresh milk, long life (90-day) milk, UHT milk, maziwa lala, yoghurt, cheese and other potential products.</td>
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viii. Provide recommendations on gaps and opportunities for investment in selected milk products (fresh milk, long life (90-day) milk, UHT milk, maziwa lala, yogurt, cheese and other potential products) with a Break Even Point (BEP) analysis for each product. The recommendations should also include proposed packaging sizes for the specific target markets (consumer segments and geographic locations), product differentiation strategies as well as other products that the plant can process.

ix. Design a route to market for the plant’s finished products, including distribution logistics, staffing, branding, cash flow, and debt management system among other factors.

e. **Approach and Methodology**

The final SOW for the consulting firm/ individual will be agreed upon in consultation with KCDMS, the County Government of Makueni, and MCC. Once the final scope of work has been agreed upon, the consulting firm or individual consultant(s), MCC, the County Government of Makueni, and KCDMS will sign a service contract.

f. **Reporting systems**

The consulting firm will ensure a good working relationship with the County Government of Makueni and MCC and will work closely with KCDMS as follows.

a) Upon contracting, submission of a detailed inception report/work plan on how the consulting firm or individual consultant(s) will undertake the assignment and achieve the set objectives of the contract will be required.

b) All reports as highlighted in the time schedule section will be shared with KCDMS, the County Government of Makueni, and MCC for review and feedback.

c) The study findings will be presented in a stakeholders’ workshop including MCC, County Government of Makueni, Cooperative representatives and KCDMS.

d) The final report shall incorporate findings and feedback from the stakeholders’ workshop.
### g. Time schedule

This activity is targeted to commence in **March 2021**. The anticipated Level of Effort is **30 days spread over two months**. The selected consulting firm or individual consultant(s) will be required to provide a detailed work plan for this assignment as part of the inception report, which will form the first deliverable. The deliverables under this contract are as follows:

1. Detailed inception report highlighting the agreed-upon approach and methodology, an updated work plan, and any changes to assignment outputs.
2. Supply-side report highlighting the current status of the affiliate cooperatives in regard to farmer/member participation milk volumes, pricing, competing markets, willingness to deliver milk to MCC, and associated costs.
3. Processing plant status report including benchmarking against successful dairy plants of equivalent capacity, infrastructure status and expected additional equipment required to bring the plant into operation as well as operational costing. Append at least two quotations for any additional equipment in annex.
4. Market report focusing on designing a route to market for the plant, including distribution logistics/transport needs, staffing, target market, brand appeal, cash flow, and debt management system. The report should also contain recommendations on gaps/opportunities for investment in selected milk products and an assessment of various dairy products and brands cross-referenced by the customer segment.
5. Presentation of findings in a stakeholder workshop and a final report incorporating feedback from the stakeholder’s workshop.

### h. Pricing

Bidding consulting firms and individual consultants shall provide a reasonable budget with a Level of Effort (LOE) for the consultancy based on deliverables and a projected period of not more than 30 days spread over 2 months.

### i. Terms of payment

KCDMS shall cover 100% of the consultant costs including stakeholder workshop while the benefiting entity (MCC and County Government of Makueni) shall cover any in-kind costs, including farmer transport to FGDs, working space for the consultant and meeting venue for FGDs. These payments shall be
made directly to the consulting firm/individual as per the breakdown below

(a) 25% upon approval of the inception report and detailed workplan.
(b) 50% upon execution of deliverables, submission and approval of first draft of the report, and other agreed documentation.
(c) 25% upon completion of the assignment and approval of the final report by KCDMS, MCC and the County Government of Makueni.

| j. Method of Submission | Bid documentation should include the following:
|-------------------------|-------------------------------------------------------------
|                         | 1. A one-page cover letter that summarizes the firm/individual technical experience and capability in undertaking the assignment. It should also indicate the availability of the key resource team. |
|                         | 2. A brief technical proposal for the assignment and work plan (not more than 10 pages). |
|                         | 3. The cost proposal (in a KCDMS provided budget template) that should consist of a comprehensive itemized budget highlighting a Level of Effort (LOE) of 30 days spread over 2 months. |
|                         | 4. One-page with brief profiles and qualifications of the team proposed to be engaged in carrying out the assignment |

**Note:** Application including cover letter, technical proposal, and financial proposal should be submitted electronically to procurement@kcdmsd.rti.org by close of business on 18th February 2021 with **Supply and Demand analysis for Makueni Creameries Processing Plant** in the subject line reference. The applications should be written in the English language.