

Brief Overview of Bachuma Livestock Export Zone (LEZ):

Project overview

- A Livestock Export Zone (LEZ) facility at the coastal area within Bachuma, Taita Taveta County, along Voi-Mombasa road. It is set to undertake disease screening of livestock before export, as required by the targeted importing countries, while applying international standards.
- It is wholly owned by the State Department of Livestock, as a Livestock Marketing and Productivity improvement facility.

Market opportunity

- A high and growing demand for livestock commodities within the Middle East countries. The UAE presents a market opportunity of up to 5.1 million herd of livestock, costing Kes 43 Billion; ~ USD 430 Million. A rapid expansion of Mecca by the GCC countries set to increase pilgrims from 8Mio to 15Mio by 2020, and 30Mio by 2030 which will significantly increase livestock export to the region. A significant increase to the current export of livestock to Mauritius.
- Bachuma LEZ is a Disease Free Zone, therefore providing an impetus for more trade in the livestock sector.

Project or investment opportunity

- The LEZ sits on 15,000 acres of land; has 8- cattle pens capable of holding 500-600 cattle heads each, 6-sheep and goats pens capable of holding 1,400 heads each and 2 camel pens capable of holding 400 heads each
- It's surrounded by 28 large ranches; the LEZ will be the final screening and certification point for all exports; close proximity to the railway network and port of Mombasa at about 70 Kms; good access to water; connection to electricity through the national grid; an isolated location that is flat and free of settlements; free from industrial pollution; and free from recent intensive agricultural production with heavy use of pesticides, herbicides or other chemicals
- The development comprises Pre-Quarantine and Quarantine Stations and value addition provision; and stands at a 70-80% completion

Funding requirement

- Development of the LEZ is fully funded by the National Government of Kenya.
- The facility will be leased to a private investor by way of an "Operate, Maintain and Upgrade" arrangement, for 30 years.
- The partner will manage the facility and expand as livestock volumes rises with annual throughput projected at 5 Million heads by year 10.

Impact

- FX earnings by the country from the exports of products and live animals certified through the facility; Creation of employment for both skilled and unskilled workers (250 at the LEZ facility and 102,000 ancillary services); Livelihood support through livestock keeping and pastoral livelihood; Stimulate development of the livestock value addition industries



BACHUMA LIVESTOCK EXPORT ZONE

Investor Pitch Deck
CONFIDENTIAL

August 2020

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Key leadership:

State Department of Livestock

The Directorate of Veterinary Services (DVS)

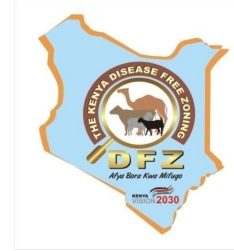
Agriculture Transformation Office (ATO)

Project overview

Bachuma LEZ is a Disease Free Zoning Programme in Kenya

Key facts about the project;

- It's a Disease Free Zoning Programme,
- It consists of about 15,000 acres wholly owned by State Department of Livestock,
- It's surrounded by 28-large livestock ranches that have been used before for export livestock finishing,
- It has a close proximity to the railway network and port of Mombasa (which is the port of exit) at about 70 Kms,
- It's in an isolated location that is generally flat and far from settlements,
- It's free from industrial pollution and isolated from urban centre,
- It's free from recent intensive agricultural production hence free from heavy use of pesticides, herbicides and other chemicals that compromises export of 'organic' or 'grass-fed' labelled livestock,
- It has good access to piped water from Mzima springs that run along the farm and a borehole that has been sunk,
- The land is connected to electricity services through the national grid.



Existing investors and strategic partners:

The National Government of Kenya

The LEZ is a national project of the Government of Kenya that aims at developing livestock export screening and finishing facilities.

State Department of Livestock

The Directorate of Veterinary Services, under the State Department of Livestock, is tasked with the policy direction on management of livestock diseases and pests, and certification of animals and animal products during international trade.

Key milestones and achievements



Rational of zoning in Kenya



Disease Free Zoning Programme in Kenya



Program Strategy and Plan



Currently, Kenya is considered infected with many trade sensitive diseases that render livestock and livestock products incapable of accessing the desired lucrative markets due to the stringent measures conditionally put in place by importing countries.

Conceptualized in 2005 but not implemented until 2010/11 when funding was allocated towards DFZ sensitization and ownership drive

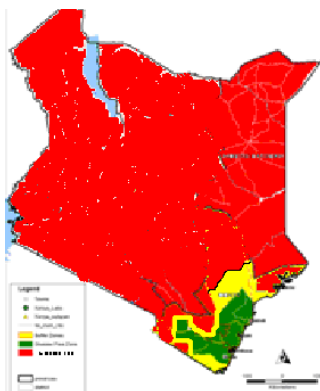
It's both a strategy for revitalizing animal agriculture and promoting livelihoods as well as an economic flagship; Formulated in line with the Strategy for Revitalizing Agriculture (SRA) 2004-2014, Kenya Agricultural Sector Development Strategy (2010-2020) and National Livestock Policy; Identified and accorded priority in the current Medium Term Plan (MTP II) covering the years 2013-2018

Jobs created:

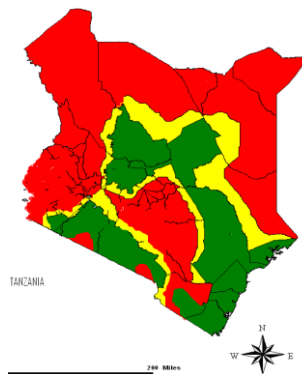
~250 direct jobs at the LEZ facility

Map of Disease Free Zones over the years:

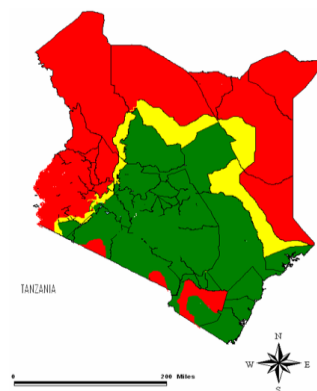
2010-2014



2014-2018



2018-2022



KEY

- INFECTED ZONE
- PROTECTION ZONE
- DISEASE-FREE ZONE

~102,000 ancillary services

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Size of the market

- United Arab Emirates; market opportunity of up to 5.1 Million herd of livestock costing Kes 43 Billion,
- The Gulf Cooperation Council (GCC) countries,

GCC Historic value of imports of meat products by country in \$US million;

Country:	2010	2012	2013	2014	2015	2016*
Total Imports	4,201.41	4,338.64	4,777.15	4,773.47	5,046.54	3,788.59
Saudi Arabia	2,091.96	2,102.13	2,344.47	2,193.12	2,359.01	1,720.64
UAE	1,021.94	1,142.81	1,242.42	1,356.07	1,375.08	1,090.22
Kuwait	480.24	447.25	455.84	447.08	506.27	320.19
Qatar	253.57	271.73	282.65	335.3	366.29	300.81
Oman	216.45	240.1	262.50	254.8	266.52	215.07
Bahrain	137.25	134.56	189.28	187.03	173.36	141.65

- Export to surrounding countries in the horn of Africa
- Expansion of current exports to Mauritius

Market trends and growth expectations

The market is expected to grow even bigger in coming years driven by:

- High and growing demand for livestock commodities within the Middle East countries,
- Trade opportunities being created by a market from countries being banned from trade with the Middle East, such as Somalia,
- A rapid expansion of Mecca supported by Saudi Government policy predicts increased pilgrimage number,
- The Hajj and Umrah pilgrims will increase 8 Million to 15 Million by 2020, and up to 30 Million by 2030. The effect is a dramatic increase of livestock export to the region,
- Kenya's livestock offer varieties and breeds of organically raised commodity that are unavailable in the surrounding countries in the horn of Africa, so the country will be known globally as a unique and special country in livestock export,
- An opportunity to expand the current livestock trade between Kenya and Mauritius.

Key enablers

Regulations and initiatives have been developed to ensure project's success;

- Non-controversial land ownership, as the land is wholly owned by State Department of Livestock
 - A Disease Free Zone contributing to compliance with Sanitary and Phytosanitary measures, thereby facilitating market access and food safety
-
- Development of a Pre-Quarantine, Quarantine and Value- Addition facilities
 - 100% funding of the projects' development by the National Government of Kenya
-
- Availability of guidance on Animal health procedures/ protocols and specifications by the Veterinary and Livestock production technical personnel of the State Department of Livestock
-
- Procurement of a partner by a way of a long-term lease (30 years) under the provisions of the Land Act, to circumvent the lengthy route of a Public- Private arrangements

Other enablers;

- A linkage with county based livestock cleansing and finishing infrastructures such as, holding grounds, feedlots and ranches that are basically the disease control facilities operated by the livestock trader's in collaboration with County based veterinary professionals,
- In the current Medium Term Plan (MTP III) 2018-2023, the LEZ is identified and accorded priority as a vision 2030 economic flagship project,
- Projected realization of 4 other Disease free livestock export zones across the country in Kurawa, Miritini and Marsabit.
- Miritini Holding Yard (400 acres) will be used as the Marshalling yard. It has a close proximity to the Kilindini port

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Overview of project opportunity

- A Livestock Export Zone,
- Aimed at facilitating access of livestock and livestock products into the high-value markets which had been lost to other producers in the world, due to Kenya's failure to implement effective disease control measures as required by the prospective importing countries,
- It will facilitate access of livestock and livestock products to local, regional and international markets, and
- Improve sustainable rural livelihoods and food security in Kenya, as well as,
- Strengthen institutions in the livestock sub-sector.
- Development of a marshalling yard in Miritini area; this will be twinned within the lease

Implementation Structure:

- Implementation structure of the project will be by way of "Lease, Operate, Maintain and Upgrade" long-term lease,
- The successful bidder shall take over the facility operate, maintain and upgrade it for a lease period of 30 years through a project company incorporated for the purpose (the Special Purpose Vehicle- SPV)

Scope of the Lease:

- Lease of Bachuma Livestock Export Quarantine Station will also include the Proposed Miritini Marshalling yard

Enablers:

Miritini Marshalling Yard

- Public land measuring 400 acres,
 - Currently under State Department of Livestock,
 - Under consideration for development as a marshalling yard to support activities at the Bachuma facility,
 - It will be used for holding pre-shipment yard for live animals since there are no existing facilities at the Kilindini Port in Mombasa for such purposes.
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Kurawa Export Quarantine Station

- Located in Tana River County,
 - Public land measuring 40,000 acres,
 - Currently under State Department of Livestock,
 - It is under consideration for development as a screening facility for livestock,
 - It is expected to be operated through a Build- Own-Operate- Transfer scheme where the private party designs, constructs, finances, operates and maintains the facility.
-

Environmental considerations

- Isolated location that is far from settlements,
 - Free from industrial pollution,
 - Isolated from urban centre,
 - Free from recent intensive agricultural production hence free from heavy use of pesticides, herbicides and other chemicals that compromises export of 'organic' or 'grass-fed' labelled livestock,
-

Milestones, timelines and progress to date

Construction is split into 2 Phases:

Target completion date

1 Phase 1: Implementation is at 95% to date. The scope of work in this phase involves the construction of;

November - 2020

- Veterinary fences and gates,
- Cattle, camel and sheep/ goats pens/sheds,
- Rehabilitation of laboratory building,
- Rehabilitation of staff houses,
- Water Reticulation,
- Electrical installation in the rehabilitated staff houses,
- Borehole drilling and equipping,
- Animal protection trench.

2 Phase 2: Implementation is at 60% to date. The scope of work in this phase involves the construction of;

November- 2020

- Emergency slaughterhouse, Incinerator unit, Administration office,
- Pest control/ examination crushes, water storage tanks,
- Extension of existing fence to enclose support facilities, two watchtowers,
- Fodder barn, workshop, handlers restrooms, off-loading ramps, roads,
- Utilities, underground water tank,
- Electrical works: lighting, power, lighting fitting, fire alarms and other electrical points,
- Mechanical works: plumbing, drainage, water storage tanks and other fire fighting installations

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Total capital requirement, use and sources

Use of capital

Phase 1 of the project was contracted and procured in 2015 at a cost of Kes 115, 218,279.03, covering the scope previously mentioned.

Phase 2 of the project was contracted and procured in 2015 at a cost of Kes 257, 196,003.39, covering the scope previously mentioned.

Sources of capital

Government of Kenya:

Development of the facility is fully (100%) funded by the Government of Kenya

Private Investor:

- Under the lease the private operator will manage the station, develop all infrastructure, transport and equipment necessary for handling the livestock during transportation, housing, feeding and disease screening under the oversight of the Director of Veterinary Services. The operator will deploy all man power necessary to operate the facility.
- On completion of Phase 2, the facility is expected to be equipped by the private investor for operationalization; at an estimated cost of **Kes 500 Million**
- This can be planned to be implemented in phases as need arises, and volumes rise.

The equipment's required will include;

- Assorted Mobile equipment i.e. vehicles, tractors among others,
- Assorted Office equipment,
- Assorted Laboratory equipment,
- Assorted Post-mortem equipment,
- Assorted Emergency slaughterhouse equipment,
- Assorted Animal handling, feeding and assorted veterinary/husbandry equipment.

Total capital requirement, use and terms:

Responsibility of the Director of Veterinary Services and service fees;

In the operation of the Bachuma LEZ, the Director of Veterinary Services will provide an oversight role in implementation of sanitary standards in the facility. This will be the basis on which he will issue the requisite international Veterinary Certificates for export bound animals or products. For this, DVS will charge the exporter or operator the applicable

- a. **Sanitary certification fee** to the **exporter** for every consignment during application for *international veterinary certificate* on the KENTRADE Electronic Single Window System
- b. **Laboratory service fee** to the **operator** for every sample that will be submitted to a DVS laboratory. Once the Bachuma lab is complete, equipped and operational, it is expected that the operator will be responsible for it and will not need to submit samples to DVS labs outside of the facility. He/she will recover the costs from exporters

Expected Deliverables from the investor;

- Design an appropriate Livestock quarantine operation system approved by the DVS,
- Deploy management team at Bachuma both for the requisite administrative and Livestock handling and screening,
- Undertake all required development and requirements for housing and feeding of quarantine based livestock including expansion as per the master plan approved by the department,
- Mainstream an appropriate provision for feeding of livestock at the quarantine and during shipment,
- Provide all the necessary station equipment for both administration and livestock handling operations,
- Provide appropriate transport for personnel and livestock from the counties to the station and for shipment.

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Financial performance

Cash-flow Projections:

USD "000"	Year 1	Year 2	Year 3	Year 4	Year 5
Annual Through Put (Per Head)	500	1000	1500	3000	3500
Expected Cash inflow	12,831.21	25,107.81	37,384.41	74,214.21	86,490.81
Cost of Prodn	9,298.42	18,205.24	27,107.51	53,814.30	62,716.57

Key Assumptions:

- Operations are expanded with increased volumes,
- Cost of production only includes direct costs i.e. labour and cost of inspection and excludes indirect costs such as maintenance and repairs etc.

Socio-economic benefits

Key impact metrics (by 2025)



Job
creation

250

Direct jobs

102,000

Indirect jobs



Inclusion

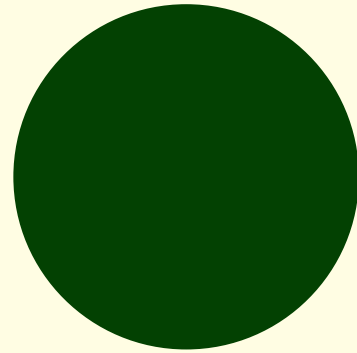
And especially the
pastoral communities



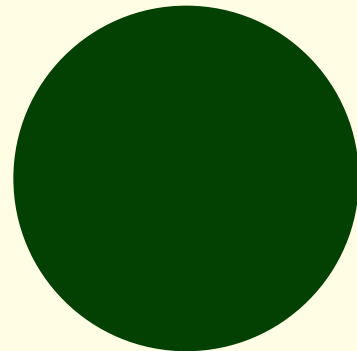
Small-holder
farmer impact

Linkages with small-
holder farmers to
supply livestock

**For further
information
please
contact**



**Director of Veterinary Services,
Veterinary Investigation Laboratories**



**Co-ordinator- Agriculture
Transformation Office (ATO)**

State Department of Livestock.



Thank you!