Jambo Sana (Hello very much) from Kenya!

The farmer pictured here is a 22-year-old mother named Emily Wafula. She farms one acre of land. By a unique coincidence, she gave birth to her first child in the same month that One Acre Fund was born. She is shown here proudly holding her new baby, Gladys Wafula. In fact, Emily as a farmer was so grateful for the assistance that she was receiving from One Acre Fund, that her baby is named after our field officer in the community.

We are proud to report that Emily harvested the largest crop of her life this past season, and that this child may never experience hunger.

Just like this baby, One Acre Fund is a tiny little being that relies greatly on the assistance of others. With your support, we hope to grow into something far bigger and greater than what we are now. We have great hope that One Acre Fund, and all the children that we serve, will achieve an incredibly bright future.

We are off to a good start. This is our first performance report, which offers a frank look at hard metrics, which we use to guide every step of our operations. From March – October 2006, we:

- Tripled program size to 120 farm families, serving 472 children
- Had our first harvest, increasing take-home farm income by 3x, with 98% of farmers repaying program fees
- Grew about 2,800 person-meals per family
- Covered 10% of our costs through farmer repayments, which will increase over time

This report also briefly discusses our vision for the future, which is to expand beyond our original target of 25,000 children in five years, to reach an additional 125,000 children in just one additional year. Although it may seem early to dream so big, we feel compelled by the massive scale of human need to hope for something greater. Spurred by our early success, we are carefully planning and laying the foundation for sustainable, rapid growth into the future.

Just like the baby Gladys pictured above, born in the same month as One Acre Fund, we are a tiny creature that depends entirely on the support of others. On behalf of the families that we serve, we want to thank you for your help. Together, let us dream of an end to hunger.

Andrew Youn  
Founder, One Acre Fund

Matt Forti  
Board Chair, One Acre Fund

Board Members:  
Shalini Bhatia, Dell  
Taira Hall, Citigroup  
Amy Hsiao, Clorox  
April Kozen, The McGraw Hill Companies  
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Jason Maga, Amtrak  
Sashi Pemmasani, IBM Business Consulting  
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Paul Wormley, Hadley Capital  
John Yi, Crowson Technology LLC
One Acre Fund: Core Values and Program Model

How One Acre Fund’s model works, and the core values that drive us forward

At One Acre Fund, we are not innovating new agricultural solutions – farm solutions are actually quite plentiful in Africa, for more affluent farmers. Rather, we consolidate proven farm solutions into a “bundle,” designed to meet the multiple barriers faced by the extreme poor. Our complete solution makes it possible for farmers who are starting with absolutely nothing, to grow for high-value crop markets.

One Acre Fund’s “Investment Bundle”

1) **Producer groups:** We typically convert existing women’s self-help groups into crop producer groups (in poor households, women do most of the farming). Women’s groups are common grassroots associations in Africa, are already stable, and have well-organized leadership. We attach a One Acre Fund field officer to the producer group, who is the key contact point between our “central office” and the producer group.

2) **Farm inputs:** One Acre Fund’s central office bulk-purchases inputs from private companies. By purchasing in bulk, we obtain inputs that would otherwise be inaccessible to farmers. We provide these inputs to farmers free, in exchange for a portion of their harvest.

3) **Extension:** Equally important, we build a central body of knowledge on how to use these inputs, advised by technical experts such as the Kenya Horticultural Development Programme. Our field officers distribute this knowledge to our farmers.

4) **Output Market:** One Acre Fund arranges to bulk-sell the farmers’ harvest to buyers. Without One Acre Fund, it would be prohibitively expensive for our farmers to try to transport their tiny harvest, obtain the proper certifications for export, and even meet the buyers that control high-value markets.

None of the individual pieces of our model is terribly innovative, but the combination of them is extremely unique. We have packaged together a holistic service that we can take to the poorest of farms – households starting with absolutely nothing. One Acre Fund picks the best proven farm solutions, and rapidly accelerates their adoption by extremely poor households, resulting in multiplied harvests.

Alignment with key values:

- **We don’t give handouts** – we empower permanent life-change. Lasting change must rely on the poor themselves.
- **We provide a solution that is realistic for the extreme poor** – our solution includes tools, training, and market access – making it realistic for someone starting from nothing to grow for high-value markets.
- **We must dream big** – limitless human need demands an ambitious response. 80% of the extreme poor in the world are farmers, and we must aggressively scale to meet demanding milestones.
- **We must remain 100% accountable** to both our biggest donors and our littlest children, measured by hard operational metrics that are reported, good and bad, to stakeholders. If we are not improving the lives of children, we are failing, and must change the way we operate.
Review of Program Metrics: March – August 2006

Legend:
- Green = Achieved key gains/strong performance
- Yellow = Opportunities to capture additional value
- Red = Key area for improvement/revamping existing policy

Key Metrics:

<table>
<thead>
<tr>
<th>Scalability</th>
<th>Target</th>
<th>Actual</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>- # Families Reached</td>
<td>119</td>
<td>120</td>
<td></td>
<td>- Tripled program size to 120 farm families, on target</td>
</tr>
<tr>
<td>- # Children Enrolled</td>
<td>476</td>
<td>472</td>
<td></td>
<td>- Tripled program coverage to 472 children, on target</td>
</tr>
<tr>
<td>- # Acres under Cultivation</td>
<td>41</td>
<td>53</td>
<td></td>
<td>- Placed 53 acres under cultivation, slightly above target</td>
</tr>
</tbody>
</table>

FUTURE ACTIONS:
1) Continue controlled growth in demonstration phase, increasing to 250 families in the next 6 months

We are keeping our target at 25,000 children in five years, but are formulating a plan to more than triple this goal.

Impact

<table>
<thead>
<tr>
<th>Impact</th>
<th>Target</th>
<th>Actual</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Pre-One Acre Fund</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Under 5 Child Mortality</td>
<td>16%</td>
<td>14%</td>
<td></td>
<td>- One Acre Fund targets the poorest of the poor; key baseline poverty indicators are on track</td>
</tr>
<tr>
<td>- Pre-One Acre Fund Child Physical Stunting Rate</td>
<td>40%</td>
<td>46%</td>
<td></td>
<td></td>
</tr>
<tr>
<td>- Increased Size of Harvest (Year on Year)</td>
<td>4 x</td>
<td>4.3 x</td>
<td></td>
<td>- Year-over-year raw harvest increased by 4.3x, on target but improvement possible</td>
</tr>
<tr>
<td>- Increase in Farm Income</td>
<td>3 x</td>
<td>3 x</td>
<td></td>
<td>- Farm income on planted portion increased by 3x, after program repayment. On target, but improvement possible through transition to cash crops</td>
</tr>
<tr>
<td>- Improvement in Child Health and Education</td>
<td>TBD</td>
<td>TBD</td>
<td></td>
<td>- We began our 6-month child health survey and expect improvements within 12 months</td>
</tr>
</tbody>
</table>

FUTURE ACTIONS:
1) Aggressively expand into high-value crops, which hold the potential to further double our gains in income
2) Specifically, expand trials of passion fruit with 24 farmers and chili peppers with 20 farmers

We are keeping our targeted life impacts at 4x farm income

Financial Return

<table>
<thead>
<tr>
<th>Financial Return</th>
<th>Target</th>
<th>Actual</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Repayment Rate</td>
<td>85%</td>
<td>98%</td>
<td></td>
<td>- 98% of farmers repaid, well above target</td>
</tr>
<tr>
<td>- Cost per Family</td>
<td>$250</td>
<td>$450</td>
<td></td>
<td>- We spent $450 per family (annualized), of which $200 was from foundation grants. Substantial improvements possible with scale</td>
</tr>
<tr>
<td>- % of IndividualDonations to Program Services</td>
<td>100%</td>
<td>100%</td>
<td></td>
<td>- 100% of individual donations went directly into program services, on target</td>
</tr>
<tr>
<td>- Program Sustainability (farmer repayments as a % of total costs)</td>
<td>10%</td>
<td>10%</td>
<td></td>
<td>- Farmer repayments on target, but substantial improvement possible with transition to higher value crops</td>
</tr>
</tbody>
</table>

FUTURE ACTIONS:
1) Continue aggressive cost control
2) However, continue to make targeted, capacity-building investments in future expansion

We are on track to increase farmer repayments (sustainability) to cover 100% of program costs within five years.
< Everline is one of our farmers who, through hard work, had the most exceptional maize harvest of her life in July. She actually offered to give us an extra portion of her harvest, she was so excited. We told her to keep it for her seven children. She is now one of the first people in her community to build a new house with a sheet roof.

Topista > is a young mother with 3 children, ages 1 – 5. Like most of our women farmers, she is incredibly strong not only as a person but also in the literal sense, and has the muscles to prove it! This comes from full days of manual labor under the hot sun and carrying 50-lb water cans far distances. She shyly agreed to have her picture taken after a hard day of harvesting.

Ruth Nekesa (holding baby) > is a little 7-year-old with big responsibilities. She helps care for her smaller brothers and sisters, and is very responsible. Her family suffers extreme hardship – the bowl of water substance on the floor in this picture is not dishwater, it’s a meal. One Acre Fund hopes to make an impact for this family as soon as possible.
< Wilbroda Wasike is a competent, hard-working farmer who nonetheless has experienced bad harvests her entire life. She simply did not have access to fertilizer or semi-modern growing techniques. This season, she more than tripled her farm income, and she is seen here proudly displaying her crop.

< Titus is one of One Acre Fund’s most motivational field officers, and hearing him teach his farmers is kind of like attending a fiery church service. Additionally, he’s quite a successful farmer himself.

Gladys > (Titus’ boss) is One Acre Fund’s first field manager. Promoted from field officer, she has an understated manner, a logical mind, and a clear vision for the future.

These ladies have something to sing about > They are celebrating a bumper harvest that exceeds anything they have ever seen in their lives. They are celebrating an end to hunger in their community. And best of all, they earned it for themselves.
Vision for the Future
Can a promising experiment be scaled into a major force against world hunger in fifteen years?

Although changing the lives of 25,000 children in five years is an admirable goal, it is a drop in the bucket compared to the magnitude of the world need. There is so much human suffering out there – we have to think bigger. We have begun putting together a strategic plan that will multiply our impact to 125,000 children in six years from inception, and 3.6 million children in fifteen years from inception. This would solve 12% of the permanent hunger problem in five countries in East Africa. We are in the early stages of evaluating the feasibility of this plan.

How? At One Acre Fund, we are not innovating new agricultural solutions – these already exist in abundance in Africa for middle-class farmers. Rather, we act as a market consolidator: We bring all the individual pieces together, forming a comprehensive service bundle that actually works for the extreme poor. We are more of a “general contractor” that purchases services from partners to create a solution that works for poor people.

Can we “super-size” the partners that we are working with to massively grow our impact?
One Acre Fund’s program model consolidates the work of partners into a comprehensive solution

<table>
<thead>
<tr>
<th>Organize Producer Groups</th>
<th>Provide Inputs</th>
<th>Education</th>
<th>Output Market</th>
<th>Capture Repayment</th>
</tr>
</thead>
<tbody>
<tr>
<td>We currently convert small women’s groups, into farmer producer groups</td>
<td>We currently buy farm inputs from many private-sector retail shops</td>
<td>We currently hire our own field staff to educate our farmers</td>
<td>We currently sell to a wide variety of crop buyers</td>
<td>We currently aim to be self-sustaining in five years</td>
</tr>
</tbody>
</table>

Shifting our program impact from 25,000 children in five years ...

Could we instead get producer groups by converting large umbrella groups organized by other non-profits?
Could we instead write bulk-purchasing contracts with major private-sector entities?
Could we instead “retro-fit” de-funded non-profit field staff into our program model?
Could we instead write long-term supply contracts with major agribusiness?
Could we achieve actual investor returns with scale? This would remove the cash constraint on growth.

… to an additional 125,000 children in six years, and a target 3.6 million children in 15 years

How and when would this be implemented?
We would implement our first “scale-up replication” in parallel to our core demonstration work. We are currently studying feasibility and holding initial meetings with potential partners.

Phase 0: Study
- Study feasibility
- Complete plan
- Find partners
Now - July 07
$0 donor funds
$0 private financing

Phase 1: Setup
- Hire COO & staff
- Sign partner agreements
July 07-July 08 (1 yr)
$150k donor funds
$0 private financing

P2: Initial Rollout
- Reach 25,000 children
- Similar program impacts as demonstration work
July 08 - July 2010 (2 yrs)
$600k donor funds
$600k private financing

P3: Ramp-up
- Reach 125,000 children
- Be growing at 50-100% annual growth rate
July 2010 - July 2012 (2 yrs)
$1.3m donor funds
$3.7m private financing

In July 2007, if we decide to move forward, we will begin a one-year setup phase during which we will sign formal agreements and hire staff. Then we will roll out over a four-year period to 25,000 farm families (or 125,000 children). The success of our first “scale-up replication” would open the door for additional replications in additional countries. Our goal would be to change the lives of 3.6 million children within fifteen years of inception, growing at a 50-100% annual rate.
One Acre Fund By The Numbers

Although we don’t expect to replicate the extraordinary growth shown below, which is driven by our low starting base, we intend to work as hard as possible in our effort to raise more funds and serve more families. Our next six month performance report will include audited financial statements for the year ending 12-31-2006.

<table>
<thead>
<tr>
<th>Metrics</th>
<th>Six months ending 04-31-06 (Unaudited)</th>
<th>Six months ending 10-31-06 (Unaudited)</th>
<th>Year To Date as of 10-31-06</th>
</tr>
</thead>
<tbody>
<tr>
<td>Total Funds Raised*</td>
<td>$28,490</td>
<td>$58,010</td>
<td>$86,500</td>
</tr>
<tr>
<td># New Unique Donors</td>
<td>19</td>
<td>189</td>
<td>208</td>
</tr>
<tr>
<td># New Investment Council Members</td>
<td>19</td>
<td>139</td>
<td>158</td>
</tr>
<tr>
<td># New Families</td>
<td>40</td>
<td>80</td>
<td>120</td>
</tr>
<tr>
<td># New Staff Members</td>
<td>4</td>
<td>6</td>
<td>10</td>
</tr>
</tbody>
</table>

- Total Funds Raised represent cash contributions received from individuals, foundations, and business plan competitions as of the date indicated.

Donors (as of 10-31-2006)

One Acre Fund measures its success not only by the impact we have on the ground in Africa, but also by our ability to attract and retain donors. The extraordinary individuals who donate to One Acre Fund represent a group committed to ending hunger through empowerment. We can’t thank our donors enough for their support.

“Honorary Advisory Board” Major Donors ($10,000 and higher)
- Larry Levy
- Michael Krasny

Major Supporters ($5,000 - $10,000)
- Anonymous
- Greg and Rita Bustamante
- Echoing Green Foundation
- Charles and Sarah McGarraugh
- Wally Scott
- Art Winter

Investment Council Members
Investment Council members are $20 or more per month recurring donors or $240 or more one-time donors

Femi Akinrebiyo
Michael Amshen
Max Barry
Barbara Bauer
Kenneth Baumann
Alan Becker
Claudia Belmont
William Bennett
Sharad Bhargava
John Bigda
Christina Blodgett
Jessica Bonjorni
Antoine Borde
Ben Bove
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Sean Harper
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Anah Samaco
Eileen Schreiber
David Simpfendorfer
Lara Solonickne
Michael Weissel
Shirley Wu
Rich Yannaco
Christine Yee
Barry Zhang

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- Sarah Forti
- Dev Ghosh
- Liz Howard
- Ben Jones
- Pauline Lee
- Barry Merkin
- Wally Scott

Your Feedback
Your candid feedback matters immensely to us. Please contact us at matthewf@oneacrefund.org with your comments, questions, or suggestions.