One Acre Fund

“Empowering the Chronically Hungry to Pull Themselves Out of Poverty”

Spring 2008 Performance Report
One Acre Fund Semi-Annual Performance Report  
November 2007 – April 2008

We are facing a fragile time of world food pressure. Increasingly, the food staples that are eaten by poor people face competing markets from cattle-feed and bio-fuels – driving up prices, and driving a growing number of poor people to the precipice of starvation.

Will enough food aid shipments from America land on the shores of Africa? Unlikely. Rather, we believe the heroes will be African farmers.

Today, One Acre Fund farmers increase their raw harvests by 3-4x on average, resulting in at least a doubling of their farm income. They not only feed their own families, they create surplus food for their communities. Our farmers, instead of relying on handouts, operate like business people, and earn their harvests for themselves. They are the real heroes.

Our program has been working at a small scale – now, with your support, we are learning how to grow it. This is our fourth six-monthly report, which offers a frank look at hard metrics, which we use to guide every step of our operations. From November 2007 – April 2008, we:

- Tripled program size to 2,000 farm families, serving more than 8,000 children
- Had our fourth harvest, increasing take-home farm income by 100%, with 97% of farmers repaying program fees
- Covered 15% of our field costs through farmer repayments, which will improve over time

We accomplished our performance milestones during a time when our work in Kenya suffered through a long period of political violence. We are extremely proud of how our staff at all levels rose to the challenge without a single complaint – they were so eager to help out their communities, it was literally impossible to hold them back from the field.

This report briefly concludes with our vision for the future, which is what we are truly excited about. Momentum is building at a terrific pace, and we are on track to create total life-change for 30,000 families in the next 30 months. This momentum is largely due to you, our loudest supporters. On behalf of the children and families that we serve: Thank You.

Andrew Youn  
Founder, One Acre Fund

Matt Forti  
Board Chair, One Acre Fund

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Chris Ashley, Kellogg School of Management  
Dave Blanchard, Kellogg School of Management  
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John Yi, Crowson Technology LLC
One Acre Fund: Core Values and Program Model
The core values that drive us forward, and how our program works

Our mission: We empower persistently hungry farm families to grow their own way out of hunger.

Core 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 find a way to improve.

One Acre Fund’s “Investment Bundle”

1) **Creation of producer groups**: One Acre Fund meets existing women’s self-help groups, and organizes them into a producer group.

2) **Farm inputs**: One Acre Fund finances and delivers all of the planting materials that our farmers need to increase their yields.

3) **Extension**: One Acre Fund field officers deliver education to groups, so they know how to grow the crop.

4) **Output market**: One Acre Fund picks up a portion of the harvest in repayment, and sells it to cover our field costs.

None of the individual pieces of our model is particularly new – 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. Our goal is to innovate a new program model that will be a new tool in the world’s fight against hunger and poverty among the rural poor.
Review of Program Metrics: November 2007 - April 2008

**++ = Met/Exceeded Goal**  **+ = Additional Opportunity**  **= Did not meet goal**

**HOW MANY PEOPLE DID WE REACH?**  Program triples to 2,000 farmers (8,000 children)

<table>
<thead>
<tr>
<th>Scalability</th>
<th>Previous</th>
<th>Goal</th>
<th>Actual</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>- # Families Reached</td>
<td>600</td>
<td>2000</td>
<td>2000</td>
<td>++</td>
<td>- Tripled program size to 2000 farm families</td>
</tr>
<tr>
<td>- # Children Enrolled</td>
<td>2400</td>
<td>8000</td>
<td>8000</td>
<td>++</td>
<td>- Tripled program coverage to 8000 children</td>
</tr>
<tr>
<td>- # Acres under Cultivation</td>
<td>150</td>
<td>1000</td>
<td>1500</td>
<td>++</td>
<td>- Placed 1,500 acres under cultivation</td>
</tr>
</tbody>
</table>

**FUTURE ACTIONS:**
- Continue a sustained scale-up phase over the next two years
- We are on track to meet or exceed our target at 30,000 families in the next 30 months

**WHAT WAS OUR QUALITY OF IMPACT?**  Farm income doubles

<table>
<thead>
<tr>
<th>Impact</th>
<th>Previous</th>
<th>Goal</th>
<th>Actual</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Pre-One Acre Fund</td>
<td>9%</td>
<td>10%</td>
<td>9%</td>
<td>+</td>
<td>- Key baseline poverty indicators are on track: 9% 0-2 mortality</td>
</tr>
<tr>
<td>- Increased Size of Harvest (year-on-year)</td>
<td>3x</td>
<td>3x</td>
<td>3x</td>
<td>+++</td>
<td>- Raw harvest increased by 3x (estimate)</td>
</tr>
<tr>
<td>- Increase in Farm Income (year-on-year)</td>
<td>2x</td>
<td>2x</td>
<td>2x</td>
<td>+++</td>
<td>- Farm income increased by 2x, after program repayment (estimate)</td>
</tr>
<tr>
<td>- Post-One Acre Fund: child death rate</td>
<td>1%</td>
<td>5%</td>
<td>1%</td>
<td>+++</td>
<td>- Out of 1,500 children ages 0-2, we had 8 child deaths in our families</td>
</tr>
</tbody>
</table>

**FUTURE ACTIONS:**
- Farm income targets are on track; however we are investing heavily in monitoring and evaluation to provide greater precision in our measurement capability going forward

**HOW MUCH DID IT COST?**  Program remains at 15% sustainability

<table>
<thead>
<tr>
<th>Financial Return</th>
<th>Previous</th>
<th>Goal</th>
<th>Actual</th>
<th>Rating</th>
<th>Rationale</th>
</tr>
</thead>
<tbody>
<tr>
<td>- Repayment Rate</td>
<td>95%</td>
<td>95%</td>
<td>97%</td>
<td>++</td>
<td>- 97% of farmers repaid, above target of 95%</td>
</tr>
<tr>
<td>- Field cost per Family</td>
<td>$300</td>
<td>$250</td>
<td>$200</td>
<td>+</td>
<td>- We spent $200 per family (annualized) in field expenses. Will continue to improve</td>
</tr>
<tr>
<td>- Infrastructure Investments</td>
<td>$165k</td>
<td>$200k</td>
<td>$220k</td>
<td>+</td>
<td>- We also invested $220,000 (annualized) in field infrastructure (e.g. model systematization for scale)</td>
</tr>
<tr>
<td>- % of Donations to Program Services</td>
<td>100%</td>
<td>100%</td>
<td>100%</td>
<td>++</td>
<td>- 100% of individual donations went directly to program; overhead covered by foundation grants</td>
</tr>
<tr>
<td>- Program Sustainability</td>
<td>15%</td>
<td>15%</td>
<td>15%</td>
<td>++</td>
<td>- Farmer repayments covered 15% of program costs</td>
</tr>
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</table>

**FUTURE ACTIONS:**
- We will experience a significant improvement in financial sustainability with the next harvest, and are on track to increase farmer repayments to cover 90% of costs in the next 30 months
Brief Management Discussion

1. Rising Food Prices

World food shortages have caused a 50% increase in basic food prices. This comes in the middle of the hunger season in Kenya, when families are already facing severe food shortage. During this season, farmers ordinarily earn at most 70 cents per day doing field work and cannot feed their families—rising food prices only make it worse.

One Acre Fund is helping alleviate the crisis—not by trucking in food from faraway places, but by helping farmers themselves grow more food. We not only help our farm families to produce more harvests for their own families—they also sell the surplus to their communities, alleviating the severe shortage. Kenya’s shortage will be particularly acute, because the political violence disrupted crop planting in many parts of the country.

We do face a risk to the organization, which is a similar increase in the price of fertilizer—the most basic input of farming. Fertilizer prices have increased by as much as 100% in the past year. We are currently doing a large-scale trial with 300 farmers of five potential alternatives to our current fertilizer regimen—less fertilizer, different fertilizers—that may help our farmers to save costs next season.

2. Kenyan Political Violence

Kenya recently had a presidential election, and it was not clear who was the winner. The ensuing disagreement between the incumbent party and the challenging party erupted into a larger ethnic dispute that turned sometimes violent.

Although only a fraction of one percent of Kenyans turned to violence, they created instability throughout the region. Roadblocks set up by armed youth halted all trucking in the country, cutting off all supply chains. Ethnic violence killing 1,000 people created widespread fear, forcing well over 100,000 people from their homes.

Throughout the violence, all One Acre Fund staff came together to protect other staff members who were from the targeted ethnicities. Staff people of several different Kenyan tribes, together with American staff, worked together to move vulnerable members to safety. It was a moment of unity during an otherwise divisive time.

All One Acre Fund staff returned to work before being asked—reflecting their dedication to serving their families. We continued all operations under security precautions, and the situation is for all practical purposes completely stable again.
Picture Gallery: Meet our Families

“One Acre Fund babies”

Higher incomes create lives of opportunity for children – more opportunities to eat well and develop properly, more opportunities to attend school, more opportunities to live free of disease.

We now have dozens and dozens of babies that have been born to One Acre Fund families - babies born into houses with full granaries, nutrition training, and health training. Perhaps the lives of this newest generation will be full of opportunity from the very beginning!

< Soil stewardship

These One Acre Fund field officers in Rwanda are learning how to conduct our “compost training” for farmers.

Because of the extreme hilliness in Rwanda, resulting in topsoil erosion, our very first training with Rwandese farmers is to teach them how to make a massive heap of compost using mostly dry materials.

One Acre Fund believes strongly not only in producing short-term results for farmers, but in responsibly building soil structure over years through crop rotation and composting.

A Times of plenty: During times of plenty, sugar cane stalks make for a pleasant snack for children.

Times of need >

During times of hunger, sugar cane serves an entirely different purpose. It becomes a substitute for real food – children suck on the stalks to alleviate their hunger.
Picture Gallery: Meet our Families

< Last-mile distribution
There is very little infrastructure in rural communities to help us distribute farm inputs. One Acre Fund partners with local communities, who lend a house to us, to store our farm inputs until delivery day. These storage houses keep our fertilizer and seed dry and cool.

In this picture, a field manager Laurent is distributing inputs to farmers, and then recording distribution against an inventory check-sheet.

< That's a lot of potatoes
These three sacks of potatoes would probably feed these children for months.

But the kids will have to wait—the potatoes are for planting instead, and will become a much bigger pile of potatoes in about six months time!

< Opportunity
One Acre Fund is about families. Bigger harvests mean bigger opportunities for these kids!

< Meeting on the road
One Acre Fund farmers meet by chance on the road. This mama is bringing some harvest to market.

< A well-tended field
One Acre Fund partners with farmers that are not expecting charity, but who want to work hard and help themselves. This well-weeded field is a sign that this farmer is working hard.
Vision for the Future
Can a promising experiment be scaled into a major force against world hunger?

We have a promising experiment, and we need to reach as many needy people as possible!

We have set an ambitious goal ...
We have set an extremely ambitious goal for the next 36 months: to prove a program model that creates total life-change, for a lot of people, with financial sustainability on field programs:

1. Create a 100% gain in farm income and a 50% reduction in child deaths
2. For 30,000 families
3. At 90% financial sustainability (farmer repayments cover field expenses)

We believe that if we can create a program model that achieves all of these things, that we will be in a position to grow to serve millions of lives in the coming decades. Millions of hungry farm families, feeding themselves—the hungry feeding the hungry.

We have a realistic plan ...
These are not idealistic words—they are carefully-constructed milestones, supported by our current field experience, and the advice of dozens of prominent advisors.

Annual milestones

<table>
<thead>
<tr>
<th></th>
<th>2007 (current)</th>
<th>2008</th>
<th>2009</th>
<th>2010</th>
</tr>
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<tbody>
<tr>
<td>Scale</td>
<td>600 families</td>
<td>3,500 families</td>
<td>10,000 families</td>
<td>30,000 families</td>
</tr>
<tr>
<td>Impact</td>
<td>100% average gain in farm income</td>
<td>100% average gain in farm income</td>
<td>100% average gain in farm income</td>
<td>100% average gain in farm income</td>
</tr>
<tr>
<td>Cost-Recovery</td>
<td>15% cost recovery on field programs</td>
<td>30% cost recovery on field programs</td>
<td>55% cost recovery on field programs</td>
<td>90% cost recovery on field programs</td>
</tr>
</tbody>
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... And your support makes it happen
Your support makes this possible! We need to raise a total of $3.4 million dollars over the next five years to execute this plan, and every dollar matters. Maybe you are donating $240 a year, to support one family on the program. That family matters. Maybe you are donating $10,000 a year, to help support an entire women’s group of farm families. That group matters. Maybe you are donating $50,000 a year, to help us make key infrastructure investments. These investments matter.

Your donation matters for real people. Every dollar empowers a hungry person to feed her own family, and every dollar helps us invest for the future. We hope to continue to strive to report exactly how much social impact your investments are making for our families, and please: never hesitate to write to us with questions and comments.

On behalf of our children and families: **THANK YOU**
One Acre Fund By The Numbers

One Acre Fund continues its strong growth, evidenced by the numbers below. In particular, the increase in staff members reflects our desire to build infrastructure to support our anticipated growth to over 30,000 families in the next 30 months.

<table>
<thead>
<tr>
<th>Metrics</th>
<th>As of 10-31-07</th>
<th>As of 4-30-08</th>
<th>Percent growth</th>
</tr>
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<tbody>
<tr>
<td># Unique Donors</td>
<td>999</td>
<td>1,346</td>
<td>35%</td>
</tr>
<tr>
<td># Investment Council Members</td>
<td>522</td>
<td>564</td>
<td>8%</td>
</tr>
<tr>
<td># Staff Members</td>
<td>83</td>
<td>95</td>
<td>14%</td>
</tr>
</tbody>
</table>

Donors (for the twelve months ending 4-30-2008)

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 you enough for their support.

Honorary Advisory Board Donors (greater than $25,000)
- Joel Ackerman
- Anonymous
- Anonymous (2)
- Casten Family Foundation
- Draper Richards Foundation
- Echoing Green Foundation
- Horace W. Goldsmith Foundation
- Jasmine Charitable Trust
- Harry and Julie Kraemer
- Larry and Carol Levy
- Mulegro Foundation
- Options Clearing Corporation
- Prana Foundation
- Satter Foundation
- David Weekley Family Fund

Leadership Circle ($10,000 - $25,000)
- AllPeopleBeHappy Foundation
- Dawson Family Fund
- FJC Philanthropic Funds
- Sarah Jean and Charles McGarrah
- David Kabiller
- Knight Family Foundation
- Woo Lee
- Edward & Lesyle Phillips Family Foundation
- Robert C. Pohlad
- Carrie and Tim Sellner
- Martha and Mark Sautner
- Stanley and Dorothy Winter Fund / Art Winter

Major Supporters ($5,000 - $10,000)
- Anonymous
- Greg and Rta Bustamante
- Muffy, Andy, and Megan DiSabatino
- Engle Family Foundation
- Hoban Family Charitable Foundation
- Dean and Mary Hanson
- Lakeview Investment Group
- Miles Lasater
- Karen and Allan Levine
- Sheila Lyons
- Sachin Mehta
- Robert and Mary Mersky
- Kellogg School of Mgmt, Northwestern University - Charity Auction Ball
- Ben and Kim Olds / Chance to Build Fund
- Barbara and Walter Scott Charitable Fund
Special Acknowledgement
A special thanks to the following people who have graciously given their time to One Acre Fund

- Joel Ackerman
- Sulakshana Bala
- Blair Blackwell
- Justin Burt
- Greg Casagrande
- Casten Family
- Keech Combe
- Corpus Christi Church
- Kate Duffin
- Echoing Green
- Sarah Forti
- Dev Ghosh
- Laura Hattendorf
- Mahri Holt
- Liz Howard
- Sarah Jeon
- Shruti Jha
- Ben Jones
- Kids Giving 2 Kids
- Sharon Kim
- Miles Lasater
- Pauline Lee
- Richard Leftley
- Glen Macdonald
- Charles McGarrah
- Sandi Medeiros
- Barry Merkin
- Don Newcomb
- Chris Penney
- Steve Rogers
- ROI Ventures
- Wally Scott
- Akshay Shetty
- Kevin Starr
- Van Tang
- Liz Thorpe
- Martin and Lora Weinstein
- Scott Whitaker
- Jeanne Wussler
- Joseph Youn
- Paul Youn

Your Feedback
Your candid feedback matters immensely to us. Please contact us at justinb@oneacrefund.org with your comments, questions, or suggestions.
2007 Financial Results and Management Discussion

To our Donors, Stakeholders, and Colleagues:

2007 was a year of remarkable growth for One Acre Fund. Thanks to the generosity of our donors, revenues grew well beyond our projections. One Acre Fund ended the year carrying sufficient cash reserves to fuel extremely rapid growth in 2008, when we plan to grow clients enrolled in our program by a factor of at least six. This phenomenal growth is thanks to you!

Revenues grew nearly 300% versus 2006, to $888,467. At this stage, 96% of revenue came from grants and donations. Farmer repayments (Program Fees) grew 276%, but covered only about 2% of program costs—largely because of a delay in sale of harvests. Overall we are on track to plan, and expect farmer repayments to cover 90% of field costs (a major component of program costs) within 5 years, allowing us to channel our donor revenues toward even faster program growth.

Expenses were roughly on target at $556,272, growing to over 8X our 2006 levels as our program expanded. As expected, a much larger share (90%) of expenses went to program services than in 2006, as our core program grew relative to fixed start-up costs. In addition, program scale growth allowed our cost per family to drop significantly.

About 76% of our expenses came from two key cost items: Farming Inputs and associated transport (52%), and labor (24%).

Our cash balance of $479,040 positions us well for rapid near-term growth. However, achieving our goal of reaching 30,000 families in the next 30 months will require us to at least double our program size every six months for the foreseeable future. Achieving this aggressive growth target will depend on continued rapid growth in both donor assistance and farmer repayments.

From a financial perspective, our key challenges in 2008 will be rising fertilizer costs combined with potentially less-favorable exchange rates. As discussed above, fertilizer prices have increased substantially, and One Acre Fund is taking an aggressive approach to identifying means to help One Acre Fund and our farmers reduce fertilizer costs. For example, our cash balance will allow us to take advantage of opportunities to pre-purchase fertilizer in response to short-term drops in prices. Exchange rate significantly impact One Acre Fund's costs, since most of our revenues are in US Dollars and most of our expenses are in Kenyan Shillings. As of this writing, during 2008 the Dollar has traded as much as 15% below its highest 2007 levels against the Shilling, though in recent weeks the Dollar has returned to its 2007 levels relative to the Shilling. One Acre Fund is actively pursuing means to improve the exchange rates that we receive when we transfer funds from the USDollar to foreign currencies.

Thanks to our donors and rapidly-increasing operational efficiency, One Acre Fund remains in a strong financial position to support our aggressive growth plans. Going forward, continued growth in donations will enable us to continue rapid expansion to serve more families.

Jason Maga
Treasurer, One Acre Fund