

A woman in a green shirt and black headwrap is walking through a cornfield, carrying a wooden staff over her shoulder. The field is filled with rows of green corn plants. In the background, there are trees and hills under a cloudy sky.

Foundations for Scale

2018 ANNUAL REPORT

OPENING LETTER

Greetings from One Acre Fund! I'm happy to share our 2018 annual report, where we take stock of the last year and our impact for hard-working farmers.

In 2018, we served more farm families than ever before: over 800,000 farmers and an estimated 3.2 million children. We're now within striking distance of serving 1 million clients by 2020. We're also continuing to deliver impact as we grow: clients in almost all countries achieved substantially higher yields than similar farmers not working with One Acre Fund.

This year also underscored the challenges of smallholder agriculture, an inherently risky profession. In several countries, our customers faced leaner harvests due to erratic rainfall and pests. In Kenya and Rwanda, where harvests were strong, surplus maize and export restrictions lowered maize prices, and farmer profits.

While we cannot control the weather, we can build farmers' resilience to these shocks. Coming out of this year, we're deepening our commitment to crop diversification. We'll continue to invest in maize, as it remains the top crop our customers want. At the same time, we'll also offer a broader range of crops to help farmers spread their bets. Crop diversification makes both environmental and economic sense.

Building farmer resilience to changing weather is just one example of how we're thinking more broadly about farmer quality of life and prosperity in the long-term. We know that delivering monetary impact—the market value of what a farm produces each season—will remain critical. At the same time, we're asking how we can equip farmers to accumulate assets like trees and livestock, diversify their families' diets, and enrich their soil for future generations. This is not the work of one year, but of consistent innovation and quality execution, year after year after year.

There is incredible power in taking a long-term view of impact. We have an important responsibility to more than 800,000 families, and we care deeply about their success for multiple decades.

In farming, there are always going to be some lean years mixed in with the good ones. But by building for the long term we can eventually help millions of farm families manage risks, plan for the future, and build enduring paths to prosperity.

Together in service,

ANDREW YOUN

Executive Director, One Acre Fund

2018 Governing Board Members

Joel Ackerman

Chief Financial Officer
DaVita Inc.

Matt Forti

Managing Director
One Acre Fund USA

Fred Ogana

Managing Partner
*East Africa Market
Development Associates Ltd*

Ada Osakwe

Founder & Chief Executive
Agrolay Ventures

Karl Hofmann

President and CEO
Population Services International

James Mwangi

Executive Director
The Dalberg Group

Rebecca Onie

Co-founder and CEO
Health Leads

Andrew Youn

Senior Partner/
Executive Director/
Co-founder
One Acre Fund

William Asiko

Executive Director
Grow Africa

WHAT WE DO

Founded in 2006, One Acre Fund is a nonprofit social enterprise that supplies smallholder farmers with the financing and training they need to build permanent pathways to prosperity. Through a complete bundle of services offered on credit, the organization delivers high-quality farm inputs to the remote areas where farmers live, providing them with training on agricultural techniques proven to increase crop yields, and educates them on how to maximize the income from their harvests. We currently serve more than 800,000 smallholder farmers in Kenya, Rwanda, Burundi, Tanzania, Uganda, Malawi, and Zambia.



Donathile Nyirahabiyambere, Rwanda



FINANCING
for seed and fertilizer



DISTRIBUTION
of farm inputs



TRAINING
on agricultural techniques



MARKET FACILITATION
to maximize harvest profits

Other Areas of Work

Government Services

We're working with governments across Eastern and Southern Africa to create impact that often goes beyond the farmers we serve directly. In Rwanda, for instance, we've partnered with the government to train agricultural extension agents who are delivering services across the country.

Partnerships

We're building partnerships with other like-minded organizations to increase support for smallholders worldwide. In the microfinance industry, we're a founding member of Propagate, a coalition that's encouraging financial service providers to offer more and better services to farmers.

Impact Ventures

We're experimenting with new, rapidly scalable channels to reach farmers with impactful products and services, including short-term campaigns to adopt trees and hybrid seed, and new technologies such as solar home systems that use pay-as-you-go technology.



2018 HIGHLIGHTS

In 2018, we expanded our impact through both the reach of new products, and by launching new pilot operations in Nigeria and India.



809,800 Farmers Served

We served more than 800,000 farmers across seven countries in 2018, and we're on our way to serving over 1 million farmers by 2020.



2 New Pilots

Our Nigeria and India pilots delivered inputs to clients for the first time. Both countries are home to some of the largest populations of smallholders in the world.



190,000 Solar Lights Distributed

Solar lights bring renewable energy to our clients' homes and provide a healthy alternative to kerosene lamps.



110,000 Chickens Delivered

We distributed chickens to clients across Kenya and Rwanda, helping to boost their incomes (through the sale of eggs and birds) and improve household nutrition.



10,000,000 Trees Planted

Our clients planted over 10 million surviving trees last year, allowing them to invest in their futures while helping mitigate the effects of climate change.



300 Tons of Seed

With the government of Rwanda, we laid the groundwork to boost domestic seed production, and plan to produce at least 300 tons of hybrid maize seed by 2019.

SCALE AND SUSTAINABILITY

One Acre Fund continues to grow, taking advantage of economies of scale in order to drive down our operating costs. We're doubling down on radical growth in Kenya, and we're maintaining our ambitious scale targets in Rwanda. Together, both countries represent almost 80% of our clients and continue to deliver strong dollar impact to farm families. In our growth countries like Tanzania, Malawi, Uganda, and Zambia, we're pursuing more modest growth in order to strengthen our impact proposition to farmers in each market.

While pursuing our scale targets, we've also invested in opportunities to improve our efficiency. We make decisions that maximize our social return on investment (SROI), or dollar impact relative to cost. This helps us select the best products and services to offer our clients while ensuring our organization's financial health.



809,800

Total Farmers Served

72%

Financial Sustainability

97%

Farmer Repayment

KENYA

 **364,000**

56% More Farmers

We made a big bet on radical growth in Kenya—and it paid off.

Delivering Nutrition

Delivered nutrition trainings, key supplements, and vegetable seeds.

RWANDA

 **275,000**

Transformative Scale

Our core model impacted an estimated 13% of Rwandans.

3 Million Trees

With help of the Rwandan government, our clients planted millions of trees.

BURUNDI

 **83,000**

83,000 Farmers Served

Delivered inputs despite operational challenges in the country.

99% Loan Repayment

Clients demonstrated continued demand for our services and strong customer loyalty.

TANZANIA

 **50,000**

28% Client Growth

Doubled down on best practices and grew our client base.

Crop Insurance

Offered crop insurance to protect farmers from weather and disease risks.

MALAWI

 **15,500**

Reinvested in Impact

Slowed our growth rate to better tailor operations to existing clients.

199 clients per Field Officer

Increased the number of farmers our FOs can each support by 70%

UGANDA

 **10,700**

150% Yield Improvement

One Acre Fund clients harvested more than comparison farmers.

Custom Fertilizer Blends

Trialed custom blends to ensure farmers' fields get the nutrients needed for strong harvests.

ZAMBIA (pilot)

 **11,600**

\$400 Avg. Loan Size

Farmers took an average of \$400 worth of inputs each due to their relatively larger land sizes.

3.5 Avg. Acres Planted

The average client planted more than 3 acres with our product offerings.

IMPACT

As an organization, we aim to help our clients achieve big harvests, healthy families, and rich soils. In 2018, our clients continued to grow more food for their families, but had more modest profits from their harvests than in previous years. Our clients were challenged by external factors like erratic rainfall and low maize prices, which affected farmers across all of our operating countries.¹ These external challenges underscore the volatility of smallholder farming, and highlight the importance of serving this community in the long term. Moving forward, we're giving our clients more tools to safeguard their harvests and diversify their incomes, so they're better protected from future weather and price shocks.



BIG HARVESTS

This year, our clients generated an average profit boost of \$91 per client. While this sum is still enough to reduce household hunger and enable new productive investments, it is still lower than the \$140 average profit that we generated in 2017. Low maize prices across the region, mostly caused by government import/export regulations, were the primary reason for this reduction. To put it in perspective, at 2017 prices, our profit boost this year would have been \$120 per farmer. Difficult weather events were the secondary reason for lower numbers. In particular, Tanzania, Malawi, Uganda, and Zambia struggled with erratic rainfall and pest issues.

Immediately following a particularly profitable season in 2017, we're taking this decrease in impact very seriously, and making operational changes in response. We're focusing on offering new crops (including cereals, legumes, and vegetables) and new income sources (like poultry and trees) to make sure clients have diversified ways to support their families. We are also offering crop insurance as part

¹ Additionally, new surveys found improvements in control group ownership of solar lights and trees—a net positive for the market which led to lower reported impact for One Acre Fund.

of our package in most operating countries, which helps alleviate the financial pressures that clients face during difficult seasons.

Despite these setbacks, our clients still made meaningful progress this year. Clients in almost all countries achieved substantially higher yields than similar farmers that did not work with One Acre Fund, and incomes on supported activities were 42% higher among client farmers. Our impact average this year was \$91, while modest in comparison to other years, has still allowed many clients to reinvest in their farms, feed their families, and send their children to school. Overall, we're proud to report that our clients have more profits and more food than they did before they enrolled with us.

3-Year Rolling Average

\$115

Additional Farmer Profit

50%

Growth in Farmer Profit
on Supported Activities

HEALTHY FAMILIES

Beyond farmer profits, we are increasingly focused on promoting nutrition and improving quality of life for our clients. These efforts include:

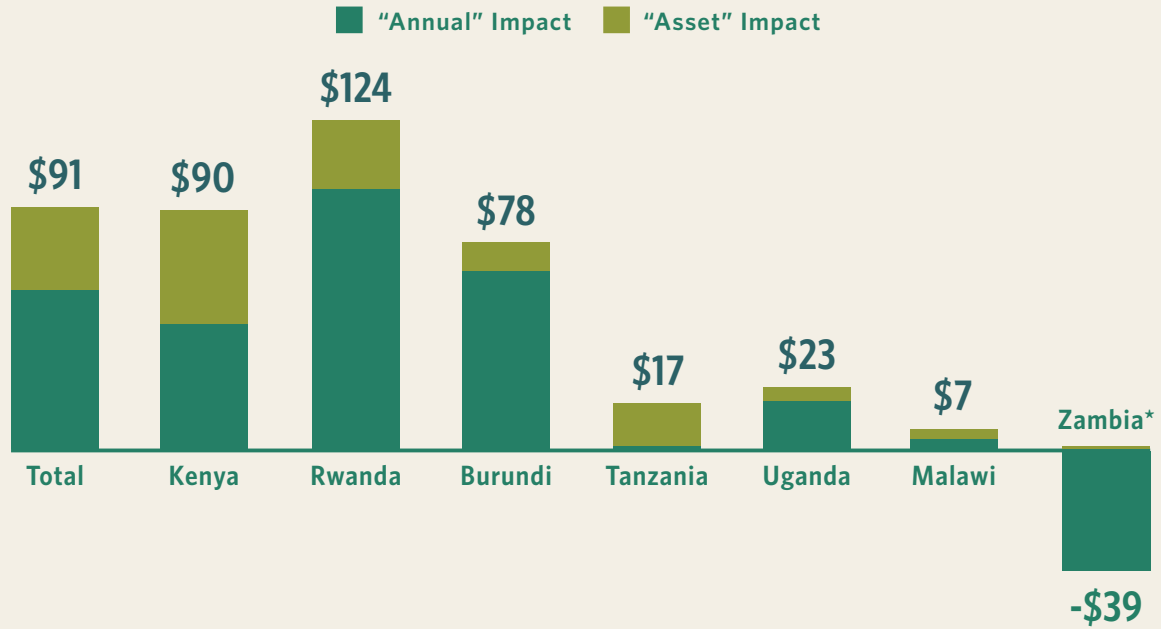
- **Hunger reduction:** As a direct outcome of our work, clients are growing more food for their families eradicating household hunger. When we compare new One Acre Fund farmers to veteran client farmers, we see a 43 percent change in Kenya and a 30 percent change in Rwanda.
- **Improved nutrition:** One Acre Fund is instituting regular nutrition trainings across our core countries and increasing our crop offerings to focus on nutritious foods like iron-rich beans. In Rwanda, when we compare newly enrolled One Acre Fund farmers to our veteran clients, we see a 6 percent increase in dietary diversity.
- **Basic quality of life needs:** We are also investing in basic quality-of-life products to improve our clients' daily lives. These include solar lights, sanitary pads, and initial trials for health insurance, along with other products.

RICH SOILS

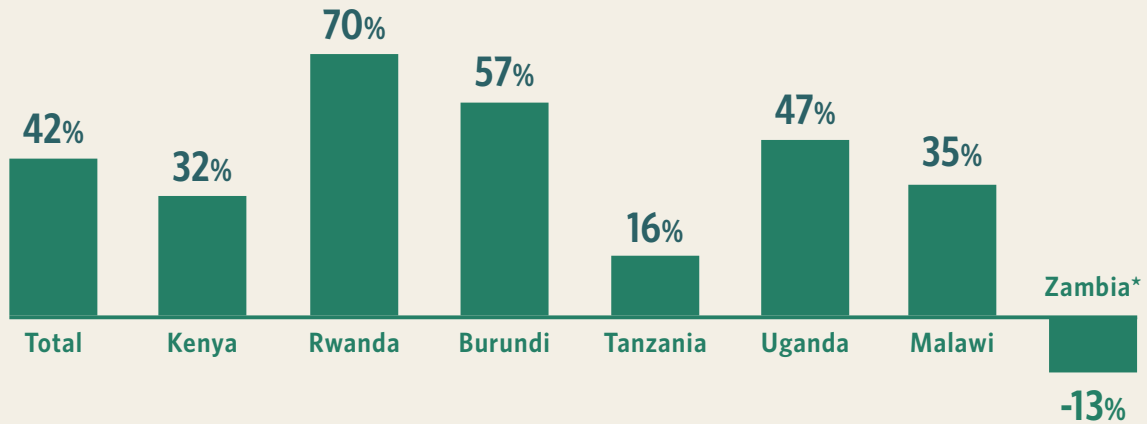
In addition to big harvests and healthy families, we're also investing in the long-term sustainability of our clients' farms. Our interventions in this area include:

- **Crop diversification:** We're also sharing planting recommendations, tailored to different hyper-local contexts, allowing farmers to properly care for their unique soil composition.
- **Increasing soil nutrients:** We've undertaken a longitudinal soil study. that's given us better information on our clients' diverse soil types, and we're tailoring our product offerings and trainings accordingly. We've started providing agricultural lime, at scale, in our Kenya program, which helps balance the soil pH levels and improves the uptake of key plant nutrients. We've also continued offering trees, which help sequester carbon in the soil, and prevent erosion. This year, we supported the planting of over 10 million surviving grevillea trees by more than 1.1 million smallholder farmers.

Additional Farmer Profit

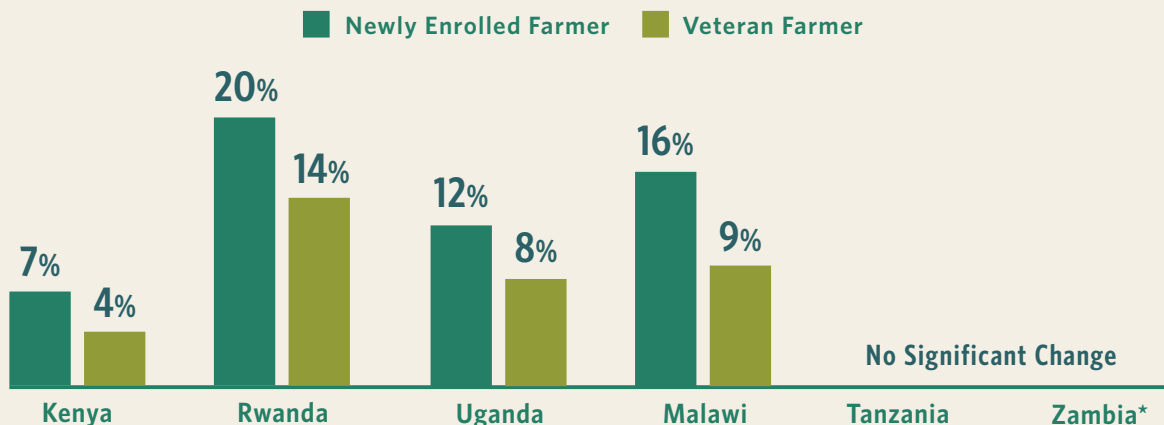


Growth in Farmer Profit



Figures refer to average farmer profit on supported activities. Burundi program impact was an estimate in 2018 due to operational challenges in the country. We based impact on current prices, average impact over the past 3 years, and an assumed reduction in impact due to reduced delivery of farmer trainings in 2018.

Farmers Reporting Hunger



Figures refer to the percentage of farmers who reported hunger from not having enough food. Burundi did not collect Quality of Life data this year due to the temporary suspension of the program, and impact was estimated in 2018 due to operational challenges in the country. We based impact on current prices, average impact over the past 3 years, and an assumed reduction in impact due to reduced delivery of farmer trainings in 2018.

*We include Zambia in our organization-wide numbers because the pilot has more than 10,000 clients. In 2018, our Zambia operations struggled to generate impact because of extreme maize price fluctuations.



Elizabeth Batayitegera and her husband walk uphill to view the damage that a recent landslide caused to their tea fields.

FARMING FOR THE FUTURE

Elizabeth Batayitegera is worried. The mother of four is watching her farm in Rwariro, Rwanda, fill up with water, and the rains show no signs of stopping. A landslide has leveled her tea plants. She may save half her maize, but her potatoes have washed down the steep hillsides. Flooded rivers have swept away farm animals, depositing them in nearby villages.

Elizabeth has seen swings in weather in her 25 years of farming, but never like this.

Farmers like Elizabeth are experiencing the effects of climate change firsthand. In Rwanda, 7 in 10 people earn a living from farming. As the weather grows more erratic, so do their livelihoods. Changing rains, frequent droughts, and unusual pests and diseases are taking their toll on harvests. According to one estimate, global maize production could shrink by 24 percent by 2050 if we don't adapt.

Yet, farmers like Elizabeth are also at the forefront of adopting solutions. At One Acre Fund, we're equipping our clients with the tools they need to address the changing weather head-on.

In the short term, we help farmers protect their fields from the worst shocks. Thanks to trainings from One Acre Fund and the Government of Rwanda, Elizabeth now digs ditches to retain water for her fields, makes terraces to prevent erosion, and plants grevillea trees to absorb runoff. We also offer crop insurance to help farmers bounce back from poor harvests.

In the long term, we empower our clients to prevent the progress of climate change. We distribute millions of trees and thousands of solar lights each year, reducing greenhouse gasses. Thanks in part to farmers like Elizabeth, Rwanda is one of the only countries where more trees are planted each year than cut down.

With these practices, Elizabeth has become a role model for climate-smart farming that her district named her "Most Exemplary Female Farmer" in 2015. "My field is taken as a case study for others to look at. I support my neighbors in preparing their fields because it is important to share farming tips," she says. My field is taken as a case study for others to look at. I support my neighbors in preparing their fields because it is important to share farming tips."

Together, Elizabeth and her fellow farmers are leading the way in protecting their land for the next generation.



Field Officer, Ponsiano Odinga, shows farmer, Gaudiene Oloo, a marketing video about One Acre Fund's offerings in Kenya.

INVESTING IN TECHNOLOGY

Why we're betting big on technology in 2019, and the years to come.

At One Acre Fund, we dream big. We envision serving millions of farm families over the next decade, and we're now laying the foundation to make our vision a reality. It's clear to us that these investments will be a critical driver to help us reach our targets, that's why we're making a big bet on technology.

We're investing in hardware, like tablets, which allow us to seamlessly register clients and track their repayment. In Kenya, we'll place a tablet in the hands of every field officer by the end of 2019, and we plan to start trials in three more countries by 2020. These tablets make the field officer's job significantly more efficient—our Kenya trials show they reduce the time spent on repayment collection activities by 50%. Field officers can use this additional time to train farmers on best practices, and to enroll new clients.

We're also investing in software, like SMS technology, that allows us to directly communicate with our clients across multiple countries. Our largest source of communication is mobile repayment, where clients can pay back their loans using their cell phones. Mobile repayment allows us to give clients real-time SMS updates on their loans, which increases transparency and improves customer service. These digital payments mean that our field staff no longer need to carry around hard currency, decreasing processing times from 16 days to just two to four days.

We are also constantly testing new technologies as they emerge. We trial each solution through a rigorous, multi-phase process. If successful, we can then consider scaling it across our growing client network. Instead of devoting ourselves to specific systems, we're committed ourselves to the innovation process.

In the future, technology could help us track delivery of farm inputs as they happen, diagnose crop diseases with mobile phones, or even help clients map out healthy repayment paths. No matter which products we decide to adopt in the future, we're confident that our big bet on technology is going to pay off, especially for the farmers we serve.