

One Acre Fund 6 Month Interim Performance Report

October, 2006 – DRAFT

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

Diana Lee, Broad Resident: Oakland Unified Schools

Jason Maga, Amtrak

Sashi Pemmasani, IBM Business Consulting

Bhavan Suri, Kellogg School of Management

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:

Scalability	Target	Actual	Rating	Rationale
- # Families Reached	119	120	Green	- Tripled program size to 120 farm families, on target
- # Children Enrolled	476	472	Green	- Tripled program coverage to 472 children, on target
- # Acres under Cultivation	41	53	Green	- Placed 53 acres under cultivation, slightly above target

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

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	Target	Actual	Rating	Rationale
- Repayment Rate	85%	98%	Green	- 98% of farmers repaid, well above target
- Cost per Family	\$250	\$450	Red	- We spent \$450 per family (annualized), of which \$200 was from foundation grants. Substantial improvements possible with scale
- % of Individual Donations to Program Services	100%	100%	Green	- 100% of individual donations went directly into program services, on target
- Program Sustainability (farmer repayments as a % of total costs)	10%	10%	Yellow	- Farmer repayments on target, but substantial improvement possible with transition to higher value crops

FUTURE ACTIONS:

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

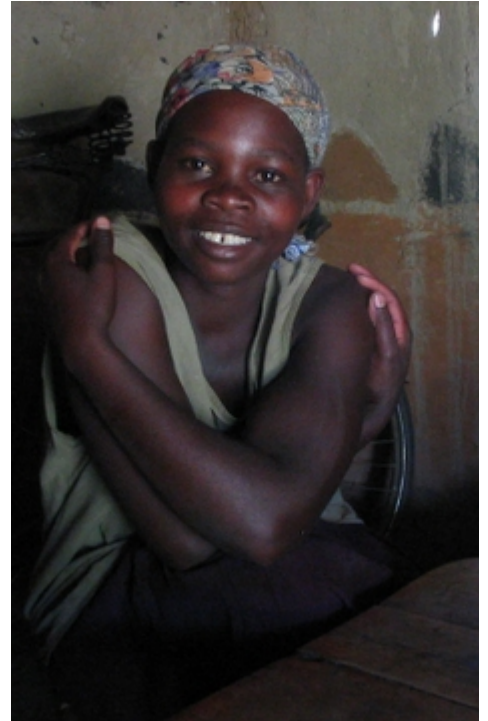
We are on track to increase farmer repayments (sustainability) to cover 100% of program costs within five years.

Picture Gallery: Meet our Families



< **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.



Picture Gallery



< **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

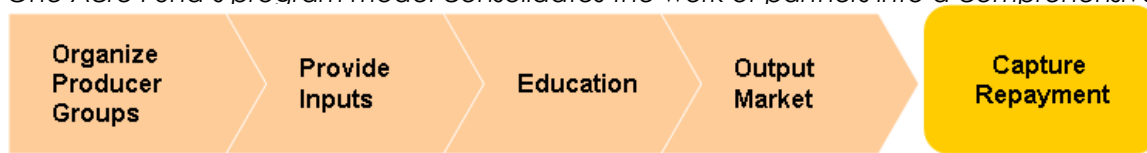
Can a promising experiment be scaled into a major force against world hunger in fifteen years?

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



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

We currently convert small women's groups, into farmer producer groups

We currently buy farm inputs from many private-sector retail shops

We currently hire our own field staff to educate our farmers

We currently sell to a wide variety of crop buyers

We currently aim to be self-sustaining 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?

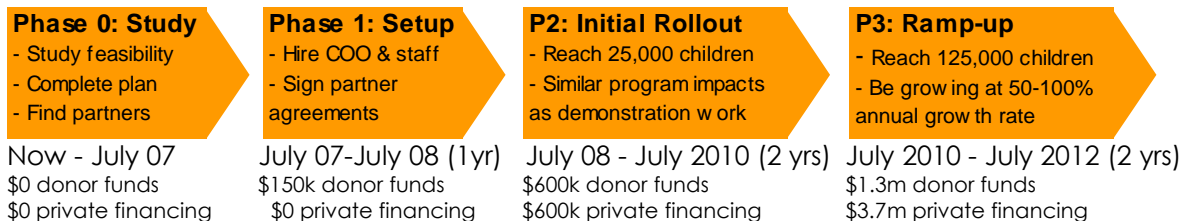
Could we instead write long-term supply contracts with major agribusiness?

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.



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.

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

- 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	Leah Bradford	Terry H. Coyne	Rachel Golden
Michael Amshen	Jacob Brauner	James Creighton	Chris Grisanti
Max Barry	Tiffany Brooks	John Culkin	Virginia Grudzien
Barbara Bauer	Maureen Brudzinski	Kirsten Ekdahl	Genevieve E Gudebski
Kenneth Baumann	Aaron Butler	Michael Fairchild	Ralph Haberli
Alan Becker	Tim Calkins	Oluwarotimi Familusi	Taira Hall
Claudia Belmont	David Cavanaugh	Michael Fang	Matthew Hamory
William Bennett	Melanie Chan	Raymond Fecteau	Daniel Han
Sharad Bhargava	M Yvonne Chao	Timothy Feddersen	Sean Harper
John Bigda	Haipeng Chen	Matthew Forti	Merove Heifetz
Christina Blodgett	Angela Chou	Stephanie Forti	Amy Heller
Jessica Bonjorni	Benjamin J Chuba	Simon Frewer	John Higgins
Antoine Borde	Keech Combe	Matt and Shanti Garman	Gordon Hilbun
Ben Bove	Sara Cotter	Rishi Goel	Kevin Hong