




ONE ACRE FUND
2013 Annual Performance Report

Purpose

We serve small-scale farmers. In everything we do, we place farmers first. We measure success in our ability to make more farmers more prosperous.

Vision

HUMBLE SERVICE: We meet farmers in their fields, and we get our shoes muddy. Farmers are our customers and we serve them with humility.

HARD WORK: We work hard every day. We execute with world-class professionalism and business excellence. Farmers deserve nothing less.

CONTINUAL GROWTH: We improve every season. We work with determination to meet our goals and then stretch ourselves by raising the bar even higher.

FAMILY OF LEADERS: We bring together the best leaders and build long-term careers. We care for team members like family.

DREAMING BIG: We envision serving millions of farm families. We build for scale with every idea and solution.

INTEGRITY: We do what we say, and our words match our values.



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“I never imagined that my farm could yield so much sorghum with such big tassels. All through my harvest I felt like I was in a dream, and I could not stop myself from smiling at every tassel that I touched.”

- Rosemary Wanjala



Opening Letter

Greetings from the One Acre Fund family! We are very excited to share with you our 2013 Performance Report. Whether you've been a part of One Acre Fund from the beginning, or this is your first exposure to our organization, we hope you'll find the report chock-full of helpful information – about our model, our progress, our vision, and most importantly, our farmers, who inspire us each and every day with their hard work and determination to make better lives for their children.

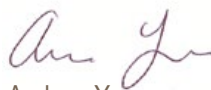
What's different about our 2013 report? Quite a lot!

- We've shifted to reporting on an annual, rather than semi-annual, basis. With One Acre Fund farmers now in four different countries planting different crops on different growing cycles, mid-year results are no longer as representative. Our new, annual format allows us to provide impact and financial figures that incorporate all of our countries.
- We've redesigned the report to be much more reader-friendly. Our "2013 in Review" section, for instance, gives you a quick snapshot of the key milestones our organization achieved. "By the Numbers" shows a more streamlined view of the key metrics we use to gauge our progress.
- We've provided much more context about how we measure our impact. Because our very existence is to make farmers more prosperous, we take rigorous measurement very seriously – and we use it to continuously improve our operations to drive even higher impact. We have a fairly good start, but we're investing much more in this area in 2014.

Of course, not everything has changed. In this report, as in prior years, we transparently communicate how we did. As you'll see, 2013 was a year of great challenge and opportunity. For instance, in the face of a potentially devastating maize virus in Kenya, we reshaped our entire crop package to protect our farm families – offering crops such as sweet potatoes and cassava. Some farmers chose not to plant with us – and this hurt both our scale and financial sustainability. Yet, those farmers that stayed in the program saw strong yields and repaid at a record 99% level. As of this writing, we're proud to report that we've increased our Kenya enrollment by 30% in 2014. Other major milestones include the formal launch of our fourth country, Tanzania, and recognition for a second year as a Top 100 NGO by Global Journal.

We hope you will also enjoy reading how our Kenyan farmers Josephine, Florence, and Stella dramatically improved their crop yields with One Acre Fund, and then plowed their extra income into the kinds of productive investments that will eventually lift their families out of poverty. Because of you, our loudest supporters, this is a pathway that over 200,000 families will find themselves on this year.

On behalf of all the children and families we serve, and our 2,000 strong staff, thank you!



Andrew Youn
Executive Director, One Acre Fund



Matt Forti
Director, One Acre Fund USA

Governing Board Members

Joel Ackerman, Champions Oncology ● Matt Forti, One Acre Fund ● Karl Hofmann, Population Services International
Rebecca Onie, Health Leads ● Tony Kalm, CGIAR ● Fred Ogana, East Africa Market Dev Associates Ltd ● Andrew Youn, One Acre Fund

Program Model

Our model is a **4 PART** solution that allows **ANY** smallholder to **DOUBLE** her farm income per acre



Farm inputs on credit

One Acre Fund provides seed and fertilizer on credit. Without credit, these items are often unaffordable for farmers.

Delivery

We deliver farm inputs to within walking distance of our farmers' homes. Without delivery, our services would not reach the majority of smallholder farmers, because they live in remote areas.

Training

We train our farmers how to most effectively use their inputs. Without training, most farmers wouldn't know the best ways to use their resources to maximize farm profitability.

Harvest sales

We help our farmers store their crops safely and link with local traders. Without this, many farmers would lose harvests to pest infestation or rotting, or fail to realize the maximum profitability for their surpluses.

2013 in Review



Delivered 5,900 tons of inputs over 38 days in Kenya

Largest drop delivery to date



Launched partnership with local coffee washing station and exporter

Burundi coffee market access trial



Honored as one of Schwab's Social Entrepreneurs of the Year 2013

| | | | | | |
|--------------|---------------|------------|------------|----------|-----------|
| JANUARY 2013 | FEBRUARY 2013 | MARCH 2013 | APRIL 2013 | MAY 2013 | JUNE 2013 |
|--------------|---------------|------------|------------|----------|-----------|

Named a top 100 NGO second year in a row



#18 in Top 100 NGOs by Global Journal

Crop diversification in Kenya



Developed and delivered new training curricula for millet, sorghum, cassava, sweet potato

Last Hunger Season chosen for One Book One Northwestern



Book selected as required reading for thousands of undergraduates

2013 in Review continued...



Partnership launched to disseminate agriculture research

JULY 2013



Opened recruitment in Gitega, our second major district in Burundi

Launch of new district in Burundi

AUGUST 2013

SEPTEMBER 2013

OCTOBER 2013

NOVEMBER 2013

DECEMBER 2013



Became one of two national distributors serving one-third of Rwanda

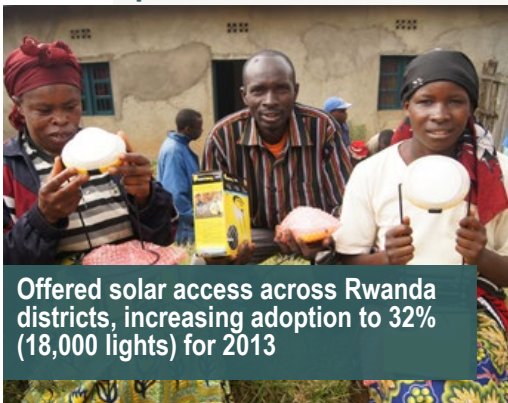
Rwanda fertilizer importer

Launch of One Acre Fund Tanzania



Enrolled over 4,000 farmers for first official season in Tanzania

Solar lamps in Rwanda



Offered solar access across Rwanda districts, increasing adoption to 32% (18,000 lights) for 2013

Partnership launched to expand access to financial services



The MasterCard Foundation

By the Numbers

| | 2010 | 2011 | 2012 | 2013 | 2014 (goal) |
|---|--------|--------|---------|----------|-------------|
| SCALE Farm families served | 31,840 | 78,100 | 135,000 | 130,400* | 202,600 |
| SCALE Full time staff | 467 | 700 | 1,300 | 1,900 | 2,500 |
| SCALE Acres cultivated | 17,613 | 63,056 | 123,482 | 91,084 | 137,300 |
| IMPACT** Avg % gain in income per acre | ~100% | ~120% | ~130% | ~52% | 50%+ |
| IMPACT*** Absolute dollar impact per farmer | ~\$120 | \$121 | \$155 | \$139 | \$135+ |
| SUSTAINABILITY % Field sustainability | 64% | 82% | 85% | 73% | 77% |
| SUSTAINABILITY % Repayment | 99% | 98% | 98% | 99% | 97%+ |

*See 'Scale' section on following page.

**2010-12 reflects Kenya-only data, 2013-14 reflects org-wide data. See impact section on page 7 for more detail.

***Includes "add-on" products from 2012 onwards. See impact section for more detail.

Scale

In 2012, One Acre Fund reached 135,000 families. For 2013, we had hoped to serve 164,000, but fell short of that goal. We ended the year serving 130,400 farm families: 60,500 in Kenya, 54,000 in Rwanda, 9,600 in Burundi, 4,300 in Tanzania, and 2,000 additional farmers in new country pilots.

Nearing the end of the 2012 season in Kenya, farmers across both of the regions where we work began seeing their once-healthy-looking maize wilt and die in the field, often before producing grains. After a joint research effort that included the government and international agriculture researchers, the cause of the blight was identified as a new, rapidly spreading maize disease.

Due to the risk of planting maize in 2013, we decided to offer farmers a diversified loan package that included a variety of crops, including millet, sorghum, sweet potatoes, beans, and cassava. Maize is an extremely popular crop in Kenya, and some farmers decided not to take loans from One Acre Fund because they did not want alternative crops.

Although changing our package resulted in limiting our scale for 2013, One Acre Fund was still able to reach 60,500 farm families in Kenya, and our loan package allowed those farmers to mitigate the risk of the maize disease. Farmers are the last people that should bear any risk in their lives. We think it was the right thing to do.



CROP DIVERSIFICATION IN KENYA

2013 was a flurry of activity at our Kenya operation, where a maize disease prompted field operations to offer a loan package with a range of completely new crops, including millet, sorghum, sweet potatoes, cassava, and beans. Our innovation team had to determine the optimum planting technique for each crop and turn that technique into a training that could be easily delivered to farmers. Field officers were charged with training farmers on those planting techniques, which added to the complexity of their work. Our logistics team had to figure out how to successfully deliver sweet potato vines, live plant material that will die if it isn't planted within a short time window. And our IT team had to quickly integrate the new loan products into our repayment database, no small feat.

Every department of our Kenya operation had to respond with speed and nimbleness to the diversification of our loan package, and every department stepped up to the challenge. As farmers started to harvest the new crops, it was clear that their work had paid off. Across western Kenya, One Acre Fund farmers were reporting strong millet and sorghum harvests. Neighbors who had not joined One Acre Fund were expressing disappointment that they hadn't planted millet and sorghum.

Crop diversification in Kenya was a response to the risk of a fast-spreading maize disease. But farmers now understand that crop diversification is also good for mitigating the risk of drought, and for improving the nutrition of their families. In western Kenya, crop diversification is here to stay.

Impact

One Acre Fund has put a great deal of thought, effort and resources into carefully tracking our program's impact on our farmers. This year, we will seek to radically improve our transparency around those efforts, while also significantly increasing our professionalism and focus in this area. Impact is our entire reason for being, and we feel it is important to substantially improve how we measure and report it.

1. WE HAVE A FAIRLY GOOD START

At the end of every season, we send over one hundred survey agents into the field to physically weigh the harvests of thousands of randomly selected One Acre Fund farmers. We also weigh the harvests of a "control" group of farmers who did not plant with us. The differential between these two groups' harvests forms the basis for our impact calculations.

We are very careful to select a control group that is highly similar to our client base. Control group selection is the number-one barrier to accurate impact evaluation for most nonprofit organizations. Too often, program participants are compared against a very different group of non-participants, making program results look too rosy. Although precise methods vary by country, we are taking the following steps to avoid this issue:

When feasible, we populate our control groups with newly enrolled One Acre Fund farmers who have not yet planted with us. This means they have similar backgrounds and motivations as our clients, but their harvests have not yet been affected by One Acre Fund inputs and methods.

Increasingly, we also supplement this view with year-over-year comparisons; we compare the last, non-One Acre Fund harvest of our new farmers with their first One Acre Fund harvest. Although seasonal variations in, for instance, rainfall levels and crop prices may bias these comparisons, we compensate by also looking at year-over-year harvests of non-One Acre Fund farmers, allowing us to "subtract out" any seasonal effects.

This year, we are experimenting with several new techniques as well. Our overall intention is to get the best control groups possible while maintaining a method simple enough to be used across all of our country programs.

2. WE ARE NOW CONFIDENT ENOUGH IN OUR METHOD TO SHARE MORE DETAILED RESULTS WITH OUR SUPPORTERS

Although our impact measurement methodology still has room to improve, we have reached a point where we feel comfortable sharing results more transparently with our supporters.

Our primary impact metric has been "percentage gain in farm income per acre planted with One Acre Fund," comparing clients and control farmers, as described above. In previous years, we have consistently reported a 100%+ average gain for this metric, as a relatively conservative measure of our impact. In most years, we have actually seen average gains of more than 100% – for instance, ~120% in 2011 and ~130% in 2012. We felt it was most appropriate to report the more cautious figure of 100% until our measurement methods were more precise.



In 2013, our gain in farm profit per acre was atypically low, at ~52%. The primary driver of this dip was a crop virus that threatened to devastate Kenya’s harvests of maize, the staple crop for our farmers. In response, One Acre Fund significantly diversified our 2013 product offering, reducing maize to a small proportion of planted acres. Although this resulted in lower overall program impact, we believe it was the right thing to do for our farmers to protect them against risk. Rwanda also saw less rainfall than normal in 2013, which negatively affected our crop results as well.

We increasingly think it is also important to report multiple perspectives on our impact. As we innovate within our program and expand our non-crop offerings, such as solar lights, and as we extend more credit to farmers, allowing them to plant more land that would otherwise lay fallow, only measuring percent gain per planted acre fails to adequately capture our total impact on farmers. For this reason, we have internally tracked two additional metrics for several years, both also measured against the control group, which we now want to share with our supporters:

Absolute dollar impact: amount of increased income from all One Acre Fund products and services (which includes “add-on,” non-agricultural products like solar lights). Our current goal is \$135 per farmer per year, and in 2013, our absolute dollar impact on farmers averaged \$139.

Farmer return on investment (ROI): for every \$1 a farmer invests in One Acre Fund, we seek at least \$2 of new revenue for the farmer – a 100% ROI. This reflects the value our program produces from the farmer perspective. In 2013, our farmer ROI averaged 180%.

Here is a table showing our last three years¹ of results, measured through these metrics. In 2014, we again expect percentage gain in income to lag our historical average on each unit of land, as One Acre Fund farmers continue to grow less profitable crops in Kenya to protect themselves from the ongoing maize virus, and as control farmers continue to improve their profits from what we believe are strong One Acre Fund “spillover” effects in mature countries.² However our overall income impact on farmers is increasingly diverse and should remain stable, through non-agricultural goods like solar lamps, and our farmers’ ability to plant more acres with a wider range of crops.

| IMPACT RESULTS | 2011 | 2012 | 2013 | 2014(goal) |
|---|------------------------|--------------------------|-----------------------------|-----------------------------|
| Percentage gain in income per acre³ | 100-140% | 100-160% | 50-55% | 50%+ |
| Absolute dollar impact per farmer | \$121 | \$155 | \$139 | \$135+ |
| Farmer’s ROI | 173% | 220% | 180% | 100%+ |
| Data included | Kenya only, no add-ons | Kenya only, with add-ons | All countries, with add-ons | All countries, with add-ons |

¹2011 and 2012 data is for Kenya only; 2013 data is a weighted average for all One Acre Fund countries, as measurement methods were sufficiently robust by 2013 to include Rwanda, Burundi, and Tanzania. Also note that we begin including “add-on” products in 2012, the first year that these products reached sufficient scale to include.

²Potential spill-over effects include farmer knowledge (One Acre Fund trainings get transmitted to neighbors) and improved access to credit and inputs from competition, such as agrodealers, who sell to control farmers. We will be studying these more carefully through future studies.

³We prefer to report ranges for percentage gain in income, which can be fairly sensitive to the assumptions used to calculate farm profit; for instance, market prices and labor costs. We intend to study these assumptions more carefully in 2014.

3. WE STILL HAVE ROOM TO IMPROVE

One Acre Fund exists to impact the lives of farmers, and we are serious about substantially deepening that impact in 2014. If we can measure conditions and results more accurately in each country, we can make the changes to our program necessary to enhance our impact. For example, we believe that our impact in Burundi was initially very low due to farmer noncompliance with our optimal planting methods. As a result, we began planting “ideal gardens” with each of the farmers in our program, convincing them to try new planting methods on just a tiny plot of their land. This has steadily convinced more and more farmers to adopt improved planting methods across their entire farms.

We are convinced that better measurement leads directly to better impact over time. Accordingly, we are excited about our plan for the year ahead:

- 1) We recently hired our first full-time M&E director, plus a statistics and experimental design manager.
- 2) We are planning big improvements in the tracking of client data over time, resulting in the ability to do more longitudinal studies.
- 3) We are making micro improvements to our M&E operations, including more field feedback for M&E agents, increased back-checking of survey results, and duplicate data entry to minimize data errors.
- 4) We are experimenting with improved control group selection methods, while also rolling out proven best practices across all countries.
- 5) We are exploring impact metrics other than farm income – such as nutrition, wealth, education, health, and the environment – which can give a fuller picture of the effect our program has on our farmers’ lives.

We look forward to transparently sharing the results of these efforts with you in 2015!

IMPACT STORY: TALIKISIA

Fifty-six-year-old Talikisia Mkwalakwala planted on one acre of land near her home in Iringa, Tanzania two years ago. She only harvested two bags of maize – not even close to enough food to feed her family of ten.

Talikisia was desperate to increase her harvest to support her family. When she heard that a new program called One Acre Fund was promising to help farmers significantly increase their harvests per acre, she jumped at the opportunity to join. She enrolled one acre of land.

Talikisia says she is impressed by the services she received from One Acre Fund. “We have been trained in modern farming techniques. We are receiving inputs on credits and at the right time. We consider ourselves lucky to be part of this project,” she said.

Thanks to her hard work and commitment to the One Acre Fund program, Talikisia harvested 15 bags of maize in her first season on one acre of land – a huge increase in harvest.

With her additional income, Talikisia had enough money to pay for one child to attend secondary school, and another child to attend university. In her second season, she decided to plant two acres of maize, and is planning to invest in livestock with the proceeds from that harvest.



Talikisia (third from right), with her farmer group.

Sustainability

| 2010 | 2011 | 2012 | 2013 | 2014 |
|------|------|-------|-------|-------|
| 1.5m | 5m | 13.7m | 14.4m | 22.8m |

Total farmer loan repayments, in USD

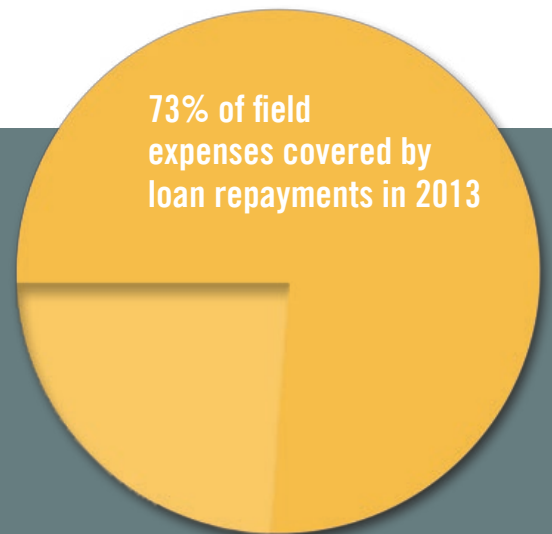
Now in our eighth year of operation and entering our fourth country of operation, One Acre Fund applies the lessons we have learned in more mature country operations to our newer sites. We regularly share information about core operations and innovations among countries, in the hopes of making it easier for newer countries of operation to achieve their scale, impact, and sustainability goals.

Sustainability is especially important at One Acre Fund, as it is an indicator of the efficiency of our operations and our long-term ability to support our operations independent of outside funding. Sustainability is defined as the percentage of field operating costs covered by farmer repayments, and is achieved by keeping operating costs low and repayment rates high.

One Acre Fund operations in Kenya and Rwanda have experimented with a number of strategies over the years to improve sustainability. Now these lessons are being applied in Burundi, which launched in 2012, giving this newer program a head start on the road to achieving 100% sustainability.

Taking a cue from Kenya and Rwanda, Burundi has a high ratio of clients per field officer. This season, each field officer serves nearly 200 farmers, which reduces staffing and transport costs, keeping operating costs low. Burundi's overall administrative costs are also lower than in Kenya or Rwanda, further driving down expenses. These cost-saving measures, combined with a 100% rate of farmer loan repayment last season, have allowed our Burundi operation to achieve 86% sustainability within less than two years.

By learning from lessons in Kenya and Rwanda, Burundi is well on its way to becoming a financially sustainable operation that puts farmers first in the most economically efficient way possible.



New Country Launch

LAUNCHING OUR TANZANIA OPERATION

In September 2013, we launched our fourth country operation in Iringa, Tanzania. Iringa is in the southern highlands of Tanzania, a fertile area where popular crops include maize and sunflower. We chose to start our trial in Iringa due to the large percentage of maize farmers in the region. In its first season, the Tanzania team provided more than 1,100 farmers with maize seed and fertilizer on credit. By the end of the season, 100% of those farmers had repaid their loans. Many of them were enjoying the best harvests of their lives.

Our Tanzania operation is a trailblazer for One Acre Fund—the first country operation to progress to full launch in under a year, and the first to serve more than 1,000 farmers in its opening season. For its second season, Tanzania enrolled over 4,000 enthusiastic farmers and added a solar-light loan product.

Our new country expansion team is busy working to make sure that our fifth country operation is just as successful as Tanzania. Stay tuned for our next country launch in 2015!



First 'input delivery day' for our new Tanzania country program.

Feature Story

Butonge Community Impact



In 2009, One Acre Fund's Kenya operation expanded into a small community called Butonge, on the far side of Chwele District. Small houses are scattered sparsely through rolling hills of endless farmland. The community itself is populated primarily by farm families, many who are the second and third generation of farmers to live there.

When One Acre Fund began enrolling farmers in 2009, many in the Butonge community were skeptical at first—a common issue because few smallholder farmers have ever been offered loans before. Despite some hesitancy, several groups of farmers decided to take a chance and give One Acre Fund a try.

Josephine Nkhisa, a tall, slender, now-36-year-old mother and caretaker of six, was one of them. Josephine is quiet—but she has a mind for business.

A short way up the dirt path from Josephine lives Stella Wamalwa. Stella lives with her husband Collins and their four children, and in 2009, Stella also joined One Acre Fund. Stella laughs hard and often when she talks and has more energy than seems imaginable given her small frame.

In 2009, both women say their lives changed. They both planted beans with One Acre Fund and harvested more than they ever had before.

By 2010, Stella had grown 12 bags of maize on a half-acre of land, and Josephine harvested 10 of her own. Each woman had often only harvested two or three sacks from their land before.

Josephine saw her increased harvests as a chance to boost a sewing business she and her neighbor Florence Wafula had owned together since 2006.

After Josephine's 2010 harvest, she was able to buy a used Panasonic sewing machine for 10,500 Ksh (approximately \$120 USD). She and Florence used to share a small Seagull sewing machine Josephine had owned since 2004.

The Panasonic machine is capable of embroidery, which helped them climb into a new market of more high-end clothing. And having two machines for their business has greatly increased their productivity.



Josephine at home with the sewing machine she purchased with profits from one of her first One Acre Fund harvests.

Prior to the Panasonic, one woman would use the machine while the other sewed by hand. For the women, sewing a dress by hand would take 2 days, whereas each woman is able to do a dress in a few hours with a machine.

Following Josephine's 2013 harvest, she has been able to rent out a veranda at a shop near the road, where she can sew and sell their items.

"The new arrangement we made is strategic and beneficial to us," Josephine says. "While Florence continues to attract and keep customers from around our homes, I am able to attract customers who seek sewing services from the market since I'm strategically placed by the road."

Like Josephine, Stella and her husband Collins also saw the increases in their harvests as a chance to create a sustainable income.

In 2011, Stella invested 9,500 Ksh (approximately \$110) in a motorbike, money she made after selling some of her maize and a cow. Since then, Collins has driven it as a business, transporting people and items for pay.

"It was better to spend the money on starting a business than something else, so in the future, we can have more," she says.

Before Collins began the motorbike business, he sold livestock at nearby markets. Collins made good money when he was able to sell large livestock, such as cows, but the income was inconsistent and undependable. The new business offers a daily stream of income.



Stella and her family, with the new motorbike they were able to purchase from harvest profits.

Since 2009, other small businesses, such as house supply shops and carpentry businesses, have begun to spring up and flourish in Butonge, and the weekly market bustles with industry.

After saving money from the motorbike business for a year, Stella and Collins constructed a new home from November 2012 to March 2013. The mud-walled house stands tall with three doors and large windows.

“My family is very happy to have this new house because it is more spacious than what we had before. The children have a room of their own now, and I’m not worried of receiving visitors because there is enough space for them too,” Stella says.

For the future, both women have even bigger plans.

Josephine and Florence hope that after their 2014 season, they will have enough to open a sewing shop at the nearby market, where they will sell their products and materials.

“We intend to save 30,000 Ksh from the selling of our harvest next season in order to start this business,” Josephine says. “We believe that if each of us plants half an acre of maize with One Acre Fund, then the total harvest will enable us to achieve this goal.”

Stella and Collins hope after next year, they can build a rental home on a piece of land they have been saving and begin yet another business, renting houses, there.

Since 2009, other small businesses have begun to spring up and flourish in Butonge, and the weekly market bustles with industry.

